



County of Los Angeles
CHIEF ADMINISTRATIVE OFFICE

713 KENNETH HAHN HALL OF ADMINISTRATION • LOS ANGELES, CALIFORNIA 90012
(213) 974-1101
<http://cao.co.la.ca.us>

DAVID E. JANSSEN
Chief Administrative Officer

December 16, 2003

The Honorable Board of Supervisors
County of Los Angeles
383 Kenneth Hahn Hall of Administration
500 West Temple Street
Los Angeles, CA 90012

Dear Supervisors:

**TEN-YEAR LEASE
DEPARTMENT OF HEALTH SERVICES
10430 SLUSHER DRIVE, SANTA FE SPRINGS
(FIRST DISTRICT) (3 VOTES)**

IT IS RECOMMENDED THAT YOUR BOARD:

1. Approve and instruct the Chair to sign the attached ten-year Lease with SFSHP Investors 1, LLP (Lessor) for the occupancy of 45,290 rentable square feet of warehouse and office space with 50 off-street parking spaces for the Department of Health Services (DHS) at 10430 Slusher Drive, Santa Fe Springs, at an initial annual base rent of \$347,827, which is offset 100 percent by State and Federal grant funding.
2. Authorize the Director of the Internal Services Department (ISD), at the discretion of the Chief Administrative Office (CAO), to acquire furniture systems for DHS at a cost not to exceed \$135,000.
3. Authorize the Lessor and/or Director of ISD, at the discretion of the CAO, to acquire a telephone system for DHS at a cost not to exceed \$150,000. The full cost of the telephone, data, and low voltage systems will be paid in a lump sum by DHS.
4. Find that this lease is exempt from the provisions of the California Environmental Quality Act (CEQA) pursuant to Class 1, Section r of the Environmental Document Reporting Procedures and Guidelines adopted by your Board on November 17, 1987, and Section 15601 (b) (3) of the State CEQA Guidelines.
5. Approve the project and authorize the (CAO), (ISD) and DHS to implement the project. The lease will be effective upon approval by your Board and acceptance of the premises by the County of Los Angeles ("County").

Board of Supervisors
GLORIA MOLINA
First District

YVONNE BRATHWAITE BURKE
Second District

ZEV YAROSLAVSKY
Third District

DON KNABE
Fourth District

MICHAEL D. ANTONOVICH
Fifth District

PURPOSE/JUSTIFICATION OF RECOMMENDED ACTION

DHS is the primary department responsible for providing medical and health planning, response and recovery activities, for the unincorporated areas of Los Angeles County and its 88 designated contract cities. The Los Angeles County Emergency Medical Services (EMS) Agency is designated by DHS as the focal point for coordinating disaster medical health resources within County Region 1, which includes Los Angeles, Orange, and Ventura, Santa Barbara and San Luis Obispo Counties. Approval of the proposed ten-year lease will allow DHS to establish a disaster staging facility for the Federal designated, Board of Supervisors sponsored Disaster Medical Assistance Team (DMAT-CA9) and National Medical – Western National Medical Response Team (NM-WNMRT). The EMS Agency currently utilizes 10,000 square feet of unsecured warehouse space leased by Los Angeles County to store equipment at 2011 North Soto Street, Los Angeles. In addition, pharmaceuticals are stored in various locations throughout the LAC+USC Medical Center. The EMS agency, the DHS Departmental Operations Center and the DMAT and WNMRT teams are currently housed in a separate leased facility at 5555 Ferguson, Commerce. The Federal government has established policies requiring secure, central and stand-alone facilities to meet program and funding requirements.

In accordance with the housing and funding policies established by the Federal government, the DHS/EMS Agency requested to lease a facility with loading docks and ground level access to store emergency vehicles including disaster equipment, supplies, storage bins and racks, repair and maintenance shop, office space, conference and staging area for personnel, bath, shower and rest area for EMS Agency and Public Health staff as well as emergency workers.

This facility will be an integral part of the County's continuing effort to provide the best possible response to disaster victims in the County's operational area. The proposed conference area will allow for teleconferencing and other activities related to disaster medical and health management. The proposed facility will also house a staff of 10 and the DHS Mobile Emergency Operations Center. In addition, in the event of a disaster, the DHS Departmental Operation Center can be operated out of the facility should the Ferguson Complex suffer a physical plant failure.

The new facility will house portable generators, medical equipment, tents, pharmaceutical caches, and other equipment used by the DMAT and NMRT, or items needed by emergency management following a disaster. In addition, all the disaster response vehicles will be stored at this location.

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December 16, 2003
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IMPLEMENTATION OF STRATEGIC PLAN GOALS

The Countywide Strategic Plan directs that we invest in public infrastructure in order to strengthen the County's fiscal capacity. The proposed lease supports this strategy (Goal 4, Strategy 2, Objective 2), in that it will provide housing for State and Federally funded programs providing services to the community in a fiscally responsible manner, as further outlined in Attachment A.

FISCAL IMPACT/FINANCING

The annual base rent cost of this lease will initially be \$347,827 which is 100 percent grant funded.

10430 SLUSHER DRIVE	NEW LEASE
Area (Square feet)	45,290
Term	10 years
1 st yr Base Rent	\$347,827 (\$ 7.68/sq.ft.)
Base Tenant Improvements	\$85,000 (\$1.88/sq.ft.)*
Additional Tenant Improvements	\$510,000 (\$11.26/sq.ft.)**
Maximum 1 st year Rent	\$471,919***
Parking Included in Rent	50 off-street spaces
Cancellation	120 days notice after 60 th month and 90 th months
Option to Renew	Two 5-year options
Rental Adjustment	2 nd yr. \$.66 5 th yr. \$.72 8 th yr. \$.72 3 rd yr. \$.68 6 th yr. \$.68 9 th yr. \$.74 4 th yr. \$.70 7 th yr. \$.70 10 th yr. \$.76 Annual increases do not exceed 3% of previous years base rent

*Base Tenant improvements included in base rental rate

**DHS intends to lump sum pay Additional Tenant improvements upon substantial completion and acceptance of premises, as provided in Landlord's work letter Paragraph 6.3 Payment of Additional Tenant Improvement Allowance.

*** The maximum 1st yr Rent will not exceed \$347,827, upon lump sum payment of Additional Tenant Improvements.

Sufficient funding for the proposed lease is included in the 2003-04 Rent Expense Budget and will be charged back to DHS. Sufficient funding is available in the 2003-04 budget for DHS to cover the projected lease costs.

The monthly rent under the proposed new lease is subject to mandatory fixed adjustments annually which will not exceed three percent of the previous year's base rent.

FACTS AND PROVISIONS/LEGAL REQUIREMENTS

The proposed ten-year lease agreement provides 45,290 rentable square feet of space consisting of 41,290 rentable square feet of warehouse space and 4,000 rentable square feet of office space, and includes 50 off-street parking spaces. The lease also contains the following provisions:

- The term commences ten days after acceptance of the premises by the County and ends ten years thereafter.
- The landlord is providing a base tenant improvement allowance of \$85,000.
- Additional tenant improvement (TI) and change order allowances total \$510,000; approximately \$250,000 of this amount will be used for seismic upgrades to the facility. Other additional TI costs include refrigeration for medical supplies and emergency generator back up.
- The County may lump sum pay the reimbursable allowance upon substantial completion, or DHS may elect to amortize the \$510,000 at 8 percent over the first 60 months of the lease term.
- Parking for the staff and visitors is available on site.
- The Lease is a modified full service lease whereby the Lessor is responsible for maintenance and janitorial and the County is responsible for the interior wall surfaces, lamps and tubes, windows, window coverings, fire extinguishers and floor coverings. In addition, the County is responsible to pay for all water and electricity it consumes.
- County has the option to renew for a period of two five-year terms under the same terms, conditions and rental rate schedule attached as Exhibit "F" by giving 120 days prior written notice.
- County has the option to purchase all of the Landlord's interest in the ground lease (including any improvements) for a purchase price of \$2,700,000 anytime between the 18th and 30th months of the term of the lease.
- County has the right to cancel after the last day of the 60th month and at the last day of the 90th month by giving 120 days prior written notice. The County can cancel anytime after the second year of the option periods by giving 120 days notice.

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In order to ensure a centralized location for this Countywide function, CAO Real Estate staff conducted a survey of the area within a 15-mile radius of the Civic Center to determine the availability of comparable and more economical sites. Staff was unable to identify any sites in the surveyed area that could accommodate these requirements more economically. Attachment B shows all County-owned and leased facilities within the search area for this program. There are no County-owned or leased facilities available for this program within the 15-mile radius surveyed.

Based upon a rental survey of similar properties within a 15-mile radius of the Civic Center, staff has determined that the annual rental range is between \$7.50 and \$10 per rentable square foot full service. Thus, the base annual rental rate of \$7.68 per square foot is within the market range for the area surveyed.

The proposed lease has been administratively reviewed and approved by your Board's appointed Real Estate Management Commission. The Department of Public Works (DPW) has inspected this facility and has recommended a seismic upgrade to meet the requirements for essential use facilities. The landlord has agreed to seismically upgrade the facility and the cost of the retrofit will be paid as part of the additional tenant improvement allowance by the County based on the above standard retrofit requirements identified by DPW for an essential facility.

There is a childcare facility within 200 yards of the facility and is available for staff housed at this location.

NEGATIVE DECLARATION/ENVIRONMENTAL IMPACT REPORT

The CAO has made an initial study of environmental factors and has concluded that this project is exempt from CEQA as specified in Class 1, Section r of the Environmental Document Reporting Procedures and Guidelines adopted by your Board on November 17, 1987, and Section 15061 (b) (3) of the State CEQA Guidelines.

IMPACT ON CURRENT SERVICES (OR PROJECTS)

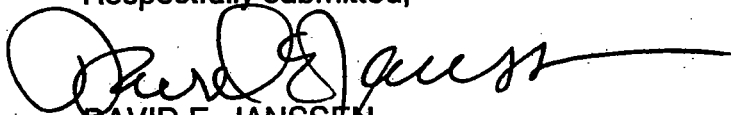
It is the finding of the CAO that the proposed lease is in the best interest of the County and in accordance with your Board's policy on the housing of any County offices or activities. DHS concurs in this lease recommendation.

Honorable Board of Supervisors
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CONCLUSION

It is requested that the Executive Officer, Board of Supervisors, return two originals of the executed lease agreement and the adopted, stamped Board letter, and two certified copies of the Minute Order to the CAO, Real Estate Division at 222 South Hill Street, Fourth Floor, Los Angeles, CA 90012 for further processing.

Respectfully submitted,



DAVID E. JANSSEN
Chief Administrative Officer

DEJ:CWW
CEM:TS:hd

Attachments (3)

c: County Counsel
Auditor-Controller
Department of Health Services
Internal Services Department

10430slusher.b

**DEPARTMENT OF HEALTH SERVICES
EMERGENCY MEDICAL SERVICES AGENCY
10430 SLUSHER DRIVE, SANTA FE SPRINGS,
Asset Management Principles Compliance Form¹**

1. <u>Occupancy</u>		Yes	No	N/A
A	Does lease consolidate administrative functions? ²			X
B	Does lease co-locate with other functions to better serve clients? ² This is warehouse space with limited support staff at the facility.		X	
C	Does this lease centralize business support functions? ²			X
D	Does this lease meet the guideline of 200 sf of space per person? ² No, the space is used as a warehouse and disaster staging facility.		X	
2. <u>Capital</u>				
A	Should program be in leased space to maximize State/Federal funding?	X		
B	If not, is this a long term County program?			X
C	Is it a net County cost (NCC) program? 100% State and Federally grant funded		X	
D	If yes to 2 B or C, capital lease or operating lease with an option?		X	
E	If no, are there any suitable County-owned facilities available?		X	
F	If yes, why is lease being recommended over occupancy in County-owned space?			X
G	Is Building Description Report attached as Attachment B?	X		
H	Was build-to-suit or capital project considered? The project was not considered for a build-to-suit or capital project however, this program could be considered for future relocation anytime after the 60 th month, as it has a cancellation anytime after the 60 th month of the lease. In addition, the County has an option to purchase the leasehold rights from the landlord.		X	
3. <u>Portfolio Management</u>				
A	Did department utilize CAO Space Request Evaluation (SRE)?	X		
B	Was the space need justified?	X		
C	If a renewal lease, was co-location with other County departments considered?			X
D	Why was this program not co-located?			
	1. ___ The program clientele requires a "stand alone" facility.			
	2. X No suitable County-occupied properties in project area.			
	3. X No County-owned facilities available for the project.			
	4. ___ Could not get City clearance or approval.			
	5. ___ The Program is being co-located.			
E	Is lease a full service lease? ² Lessor would not agree to a full-service lease as industry standards for warehouse space are net, net, net leases. The County has negotiated that the Landlord will pay maintenance, taxes, janitorial and insurance. County pays utilities and limited maintenance items.		X	
F	Has growth projection been considered in space request?	X		
G	Has the Dept. of Public Works completed seismic review/approval? Approved site as structurally suitable. However, to ensure uninterrupted operation of the facility after an earthquake, DPW recommends compliance to the current LA County Building Code requirements for essential facilities, therefore, the building will be upgraded.	X		
¹ As approved by the Board of Supervisors 11/17/98				
² If not, why not?				

Attachment B

**SPACE SEARCH, FIFTEEN MILE RADIUS OF THE CIVIC CENTER, DOWNTOWN LOS ANGELES
DEPARTMENT OF HEALTH SERVICES (EMS)**

LACO	FACILITY NAME	ADDRESS	SQ.FT. GROSS	NET SQ.FT.	OWNERSHIP	SQ.FT. AVAILABLE
6467	AG COMM/WTs MEAS-SOUTH GATE ADMINISTRATION	11012 GARFIELD AVE, SOUTH GATE 90280	21,902	15,325	OWNED	NONE
4238	ANIMAL CONTROL #1-ADMINISTRATION BUILDING	11258 GARFIELD AVE, DOWNEY 90242	8,449	2,772	OWNED	NONE
6723	PUBLIC LIBRARY-LYNWOOD LIBRARY	11320 BULLIS RD, LYNWOOD 90262	11,722	10,396	OWNED	NONE
X349	LYNWOOD REGIONAL JUSTICE CENTER COURTHOUSE	11701 S ALAMEDA ST, LYNWOOD 90262	62,078	53,480	FINANCED	NONE
X351	CENTURY DETENTION DETENTION ADMIN	11705 S ALAMEDA ST, LYNWOOD 90262	20,706	17,600	FINANCED	NONE
D980	PUBLIC LIBRARY-HOLLYDALE LIBRARY	12000 GARFIELD AVE, SOUTH GATE 90280	5,530	4,440	LEASED	NONE
1204	HEALTH SERVICES-ADMINISTRATION BLDGS 307/308	12817 DAHLIA AVE, DOWNEY 90242	26,475	17,125	OWNED	NONE
1203	DHS-PUBLIC HEALTH FACILITIES BUILDING 301/302	12838 ERICKSON AVE, DOWNEY 90242	19,575	12,170	OWNED	NONE
Y216	PUBLIC LIBRARY-PARAMOUNT LIBRARY	16254 COLORADO AVE, PARAMOUNT 90723	8,750	7,426	OWNED	NONE
C600	DPSS-SOUTH FAMILY AP/SPECIAL DISTRICT OFFICES	17600 A/B S SANTA FE AVE, RANCHO DOMINGUEZ 90221	133,000	103,324	LEASED	NONE
6420	COMPTON COURTHOUSE	200 W COMPTON BLVD, COMPTON 90220	576,467	205,939	FINANCED	NONE
X169	DPSS-COMPTON AP DISTRICT OFFICE	211 E ALONDRA BLVD, COMPTON 90220	48,135	38,777	OWNED	NONE
3037	MONA-DIRECTOR'S BLDG/COMFORT STATION	2291 E 121ST ST, COMPTON 90222	829	296	OWNED	NONE
5982	PUBLIC LIBRARY-COMPTON LIBRARY	240 W COMPTON BLVD, COMPTON 90220	43,842	15,830	OWNED	NONE
A620	PUBLIC LIBRARY-EAST RANCHO DOMINGUEZ LIBRARY	4205 E COMPTON BLVD, EAST COMPTON 90221	5,000	4,529	LEASED	NONE
A560	DCSS-EAST RANCHO DOMINGUEZ SERVICE CENTER	4513 E COMPTON BLVD, RANCHO DOMINGUEZ 90221	4,436	3,188	LEASED	NONE
F325	PW FLOOD-IMPERIAL YARD OFFICE	5525 E IMPERIAL HWY, SOUTH GATE 90280	4,800	2,340	PERMIT	NONE
A350	ASSESSOR-LONG BEACH REGIONAL OFFICE	5898 CHERRY AVE, LONG BEACH 90808	12,450	6,991	OWNED	NONE
X998	LOS PADRINOS JUVENILE COURTHOUSE-1	7281 E QUILL DR, DOWNEY 90242	47,231	24,470	OWNED	NONE
A136	FIRE-PARAMOUNT HAZARDOUS MATERIALS DIV OFFICE	7300 E ALONDRA BLVD, PARAMOUNT 90723	1,928	1,830	LEASED	NONE
A755	PUBLIC LIBRARY-ADMINISTRATION HDQTRS	7400 E IMPERIAL HWY, DOWNEY 90242	68,000	55,733	FINANCED	NONE
D600	DOWNEY COURTHOUSE	7500 E IMPERIAL HWY, DOWNEY 90242	103,502	78,996	FINANCED	NONE
3385	RANCHO-HOSPITAL OFFICE BUILDING 500	7601 E IMPERIAL HWY, DOWNEY 90242	139,789	63,850	FINANCED	NONE
1100	PUBLIC SAFETY-HDQTRS/HEALTH SVCS BUREAU	7601 E IMPERIAL HWY, DOWNEY 90242	15,482	9,221	OWNED	NONE
X238	RANCHO-SUPPORT SERVICES ADMINISTRATION BLDG	7601 E IMPERIAL HWY, DOWNEY 90242	66,200	56,002	FINANCED	NONE
1100	PUBLIC SAFETY-HDQTRS/HEALTH SVCS BUREAU	7601 E IMPERIAL HWY, DOWNEY 90242	51,114	9,221	OWNED	NONE
0370	COMPTON AIRPORT-ADMIN BUILDING-8	901 W ALONDRA BLVD, COMPTON 90220	2,880	2,592	OWNED	NONE

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EXHIBIT A - PLAN OF PREMISES

EXHIBIT B - LEGAL DESCRIPTION OF ENTIRE HERITAGE CORPORATE
CENTER LAND

EXHIBIT C - COMMENCEMENT DATE MEMORANDUM AND CONFIRMATION
OF LEASE TERMS

EXHIBIT D - HVAC STANDARDS

EXHIBIT E - OFFICE CLEANING AND MAINTENANCE SCHEDULE

EXHIBIT F - RENT SCHEDULE

COUNTY OF LOS ANGELES
CHIEF ADMINISTRATIVE OFFICE
LEASE AGREEMENT

THIS LEASE is entered into as of the _____ day of December, 2003 between SFSHP INVESTORS I, LLC, a Delaware Limited Liability Company ("Landlord"), and COUNTY OF LOS ANGELES, a body politic and corporate ("Tenant").

Landlord and Tenant agree:

1. **BASIC LEASE INFORMATION.** The following terms as used herein shall have the meanings provided in this Section 1, unless otherwise specifically modified by provisions of this Lease:

(a) Landlord's Address for Notice:

SFSHP INVESTORS I, LLC
C/O Kearny Real Estate Company
Attn: Jeffrey Dritley
1900 Avenue of the Stars, Suite 320
Los Angeles, CA 90067

(b) Tenant's Address for Notice:

Board of Supervisors
Kenneth Hahn Hall of Administration,
Room 383
500 West Temple Street
Los Angeles, California 90012
Fax Number: _____

With a copy to:

Chief Administrative Office
Real Estate Division
222 South Hill Street, 3rd Floor
Los Angeles, California 90012
Attention: Director of Real Estate
Fax Number: _____

(c) Premises:

Approximately 45,290 rentable square feet in the Building (defined below) as shown on Exhibit A attached hereto.

(d) Building:

The building located at 10430 Slusher Drive, Santa Fe Springs, CA, which is located upon the real property described more particularly in Exhibit A attached hereto (the "Property");

(e) Term:

Ten (10) years beginning on the Commencement Date (as that term is defined in Section 1(g)) and terminating at midnight on the day before the tenth (10th) anniversary of the Commencement Date (the "Termination Date"), subject to earlier termination by Tenant as provided herein. The phrase "Term of this Lease" or "the Term hereof" as used in this Lease, or words of similar import, shall refer to the initial Term of this Lease together with any additional Extension Term(s) for which an option has been validly exercised.

(f) Projected Commencement Date:

April 1, 2004

(g) Commencement Date:

The earlier of 10 days after (a) Tenant's acceptance of the Premises, (b) Substantial Completion (as such term is defined in Section 4(a)) of the Premises or (c) Tenant's occupancy of the Premises.

(h) Irrevocable Offer Expiration Date:

November 19, 2003 to the Real Estate Commission

December 23, 2003 to the Board of Supervisors

(i) Basic Rent:

\$28,985.60 per month (which is based upon a rental rate of \$.64 per rentable square foot (adjustable only as provided herein.))

(j) Early Termination Notice Date:

During the original Term: the last day of the 60th month and the last day of the 90th month

During any extension of the Term: the last day of the 24th month of such extension.

(k) Rentable Square Feet in the Premises:

45,290

(l) Use:

Warehouse and general office use or for any other lawful purposes.

(m) Initial Departmental Use:

Warehouse and general office

(n) Parking Spaces:

50

- (o) Normal Working Hours: 7:00 a.m. to 7:00 p.m., Monday through Friday and 9:00 a.m. to 2:00 p.m. Saturday, except New Year's Day, President's Day, Memorial Day, Independence Day, Labor Day, Thanksgiving Day, Christmas Day (on the days such holidays are generally observed) and such other holidays as are generally recognized by the County of Los Angeles, California.
- (p) Asbestos Report (as contained in the Phase I Environmental Site Assessment Report): A report dated June 2002, prepared by Building Analytics (Joseph L. Montaya, C.E.G. No.1769.C.HG. No.638).

1.2 Defined Terms Relating to Landlord's Work Letter

- (a) Base Tenant Improvement Allowance \$85,000 (\$1.88 per rentable square foot)
- (b) Additional Tenant Improvement Allowance \$500,000 (\$11.04 per rentable square foot)
- (c) Maximum Change Order Allowance \$10,000 (\$.22 per rentable square foot)
- (d) Additional Tenant Improvement and Change Order Amortization Rate:
- (i) Payable in a lump sum payment within thirty (30) days after the Commencement Date; or within thirty (30) days after Landlord provides a finalized accounting of all Tenant Improvements and acceptance by the County, whichever first occurs.
- (ii) 8.0% per annum payable monthly over the first 60 months of the Term of the Lease (provided that after the 36th month of the Term, Tenant shall have the option to pre-pay in a lump sum the unamortized portion). Furthermore, if Tenant exercises its Option to Purchase (as described in Addendum to Lease Section 36), the unamortized portion shall be added to the Purchase Price.
- (e) Basic Rent Reduction n/a and n/a /100 Dollars (\$0) per month
- (f) Tenant's Work Letter Representative Thomas Shepos
- (g) Landlord's Work Letter Representative Jeffrey Dritley

(h) Landlord's Address for
Work Letter Notice

SFSHP INVESTORS I, LLC
C/O Kearny Real Estate Company
Attn: Jeffrey Dritley
1900 Avenue of the Stars, Suite 320
Los Angeles, CA 90067

(i) Tenant's Address for Work
Letter Notice

Board of Supervisors
Kenneth Hahn Hall of Administration,
Room 383
500 West Temple Street
Los Angeles, California 90012

With a copy to:

Chief Administrative Office
Real Estate Division
222 South Hill Street, 3rd Floor
Los Angeles, California 90012
Attention: Director of Real Estate

1.3 Exhibits to Lease:

Exhibit A - Plan of Premises
Exhibit B - Intentionally Omitted
Exhibit C - Commencement Date
Memorandum and Confirmation of Lease
Terms
Exhibit D - HVAC Standards
Exhibit E - Cleaning and Maintenance
Schedule

1.4 Landlord's Work Letter (executed
concurrently with this Lease and
made a part hereof by this
reference):

Landlord's Work Letter
Addendum A: Base Building Improvements
Addendum B: Tenant Improvements
Addendum C: Form of Budget
Addendum D: Costs of Tenant Improvements

1.5 Supplemental Lease Documents:
(delivered to Landlord and made a
part hereof by this reference):

Document I: Subordination, Non-disturbance
and Attornment Agreement
Document II: Tenant Estoppel Certificate
Document III: Community Business
Enterprises Form
Document IV: Memorandum of Lease
Document V: Request for Notice

2. PREMISES

(a) Landlord does hereby lease to Tenant, and Tenant does hereby lease from
Landlord, upon the terms and conditions herein set forth, the Premises described in Section 1 and
Exhibit A attached hereto.

(b) Landlord and Tenant acknowledge that the Premises consists of the entire
approximately 45,290 rentable square foot building plus associated parking spaces as provided
herein.

(c) The Premises were measured by Landlord and verified independently by Tenant in accordance with the methods of measuring rentable area as described in the Standard Method for Measuring Floor Area in Warehouse/Office Buildings, ANSI Z65.1-195, as promulgated by the Building Owners and Management Association (BOMA) International. At no time, except by specific amendment to this Lease, will the amount of square footage as contained herein exceed the amount stated above.

3. COMMON AREAS. Tenant may use the following areas ("Common Areas") in common with Landlord and other tenants of the Building: the entrances, lobbies and other public areas of the Building, walkways, landscaped areas, driveways necessary for access to the Premises, parking areas and other common facilities designated by Landlord from time to time for common use of all tenants of the Building. Tenant shall comply with all reasonable, non-discriminatory rules and regulations regarding the use of the Common Areas established by Landlord.

4. COMMENCEMENT AND EXPIRATION DATES

(a) Term. The term of this Lease shall commence upon the Commencement Date and terminate on the Termination Date. Within thirty (30) days of determining the Commencement Date, Landlord and Tenant shall acknowledge in writing the Commencement Date by executing the Commencement Date Memorandum and Confirmation of Lease Terms attached as Exhibit C. The lease shall commence in accordance with the provisions of Section 1(g). The term "Tenant's Acceptance of the Premises" as used in this Lease shall mean the date upon which the Premises are substantially complete, Tenant has inspected the Premises and Tenant has accepted the Premises. The term "Substantially Complete" or "Substantial Completion" as used in this Lease shall mean compliance with all of the following: (1) the shell and core of the Building are complete and in compliance with all applicable laws and codes, and all of the building systems are operational to the extent necessary to service the Premises; (2) Landlord has sufficiently completed all the work required to be performed by Landlord in accordance with this Lease (except minor punch list items which Landlord shall thereafter promptly complete), such that Tenant can conduct normal business operations from the Premises; (3) Landlord has obtained a certificate of occupancy for the Building, or its equivalent; and (4) Tenant has been provided with the number of parking privileges and spaces to which it is entitled under this Lease.

(b) Termination Right. If the Commencement Date has not occurred within ninety (90) from the Projected Commencement Date, subject to Tenant Delays or Force Majeure Delays as provided in Landlord's Work Letter, which has been executed concurrently herewith, Tenant may thereafter, at any time before the Commencement Date occurs, terminate this Lease effective upon the giving of written notice to Landlord and the parties shall have no further obligations to one another hereunder.

(c) Early Possession. Tenant shall be entitled to possession of the Premises not less than thirty (30) days prior to the Commencement Date for the purpose of installing Tenant's furniture, fixtures and equipment in the Premises. Such early occupancy shall be subject to all provisions hereof but shall not advance the Termination Date, and Tenant shall not pay Basic Rent for such early occupancy period.

(d) Early Termination. Tenant shall have the right to terminate this Lease at any time after the Early Termination Notice Date, as defined in Section 1, by giving Landlord not less than one hundred twenty (120) days prior written notice executed by the Chief Administrative Officer of Tenant. In order for any such early termination to be effective, the early termination notice must be given on the applicable Early Termination Date, and the effective date of the early termination shall be established in such notice, provided, however, in

any such case the effective date of the early termination shall be at least 120 days beyond the date of the notice.

5. RENT. Tenant shall pay Landlord all rent and other payments due to Landlord hereunder (including, without limitation, Basic Rent and reimbursement of the Additional Tenant Improvement Allowance and Change Order Allowance) during the Term hereof within fifteen (15) days after a claim therefore for each such month has been filed by Landlord with the Auditor of the County of Los Angeles (the "County") prior to the first day of each month. Basic Rent for any partial month shall be prorated in proportion to the number of days in such month. For each successive twelve (12) months of the original term of this Lease and for each successive twelve (12) month period thereafter, the monthly Basic Rent as set forth above shall be subject to adjustment as listed on Exhibit "F" attached hereto.

6. USES. The Premises are to be used only for the uses set forth in Section 1(l) and for no other business or purpose; however, Landlord shall not unreasonably withhold its consent to a change of use.

7. HOLDOVER. If Tenant remains in possession of the Premises or any part thereof after the expiration of the Term of this Lease, such occupancy shall be a tenancy which is terminable only upon thirty (30) days written notice from Landlord or thirty (30) days written notice from the Chief Administrative Officer of Tenant at one hundred ten percent (110%) of the last monthly Basic Rent payable under this Lease (as such Basic Rent may be adjusted from time to time in accordance with this Lease) plus all other charges payable under this Lease, and subject to all of the terms, covenants and conditions of this Lease.

8. COMPLIANCE WITH LAW. Tenant shall, at Tenant's expense, comply promptly with all applicable statutes, ordinances, rules, regulations, orders and requirements in effect during the term hereof, regulating the use, occupancy or improvement of the Premises by Tenant. Landlord, not Tenant, shall, at its sole cost, at all times cause the Premises and the Building to comply with all applicable statutes, ordinances, rules, regulations, orders and requirements in effect and binding upon Tenant or Landlord during the term hereof, including without limitation, the Americans with Disabilities Act, except to the extent such compliance is made necessary as a result of Tenant's particular use of or alterations or improvements to the Premises.

9. DAMAGE OR DESTRUCTION.

(a) Damage. In the event any portion of the Premises is damaged by fire or any other cause rendering the Premises totally or partially inaccessible or unusable and the Premises may be restored to a complete architectural unit of the same value, condition and character that existed immediately prior to such casualty in less than one hundred eighty (180) days, then Landlord shall promptly, at Landlord's expense, repair such damage and this Lease shall continue in full force and effect. If all or any portion of the Premises shall be made untenantable by fire or other casualty, Landlord shall immediately secure the area to prevent injury to persons and/or vandalism to the improvements. Landlord shall promptly, but in any event within thirty (30) days, cause an architect or general contractor selected by Landlord to provide Landlord and Tenant with a written estimate of the amount of time required to substantially complete the repair and restoration of the Premises and make the Premises tenantable again using standard working methods. The failure to do so shall be a material Default hereunder. Basic Rent shall abate to the extent that the Premises are unusable by Tenant. Tenant waives the provisions of California Civil Code Sections 1932(2) and 1933(4) with respect to any partial or total destruction of the Premises.

(b) Tenant Termination Right. In the event any portion of the Premises is damaged by fire or any other cause rendering the Premises totally or partially inaccessible or

unusable and the Premises will not be restored to a complete architectural unit of the same value, condition and character that existed immediately prior to such casualty in less than one hundred eighty (180) days for any reason, then Tenant may terminate this Lease by giving written notice within ten (10) days after notice from Landlord specifying such time period of repair; and this Lease shall terminate and the Basic Rent shall be abated from the date the Premises became untenable. In the event that Tenant does not elect to terminate this Lease, Landlord shall promptly commence and diligently prosecute to completion the repairs to the Building or Premises, provided insurance proceeds are available to repair the damages.

(c) Damage In Last Year. Notwithstanding the foregoing provisions, if any material destruction to the Premises occurs during the last year of the Term, either Landlord or Tenant may terminate this Lease by giving notice to the other not more than thirty (30) days after such destruction, in which case (a) Landlord shall have no obligation to restore the Premises, (b) Landlord may retain all insurance proceeds relating to such destruction, and (c) this Lease shall terminate as of the date which is thirty (30) days after such written notice of termination. As used herein, the term "material destruction" shall mean the destruction of greater than ten percent (10%) of the Premises rendering the Premises totally or partially inaccessible or unusable.

(d) Default By Landlord. If Landlord is required to repair and restore the Premises as provided for in this Section and Landlord should fail to thereafter pursue said repair and restoration work with reasonable diligence to completion, Tenant may, after giving written notice thereof to Landlord and a thirty day period to cure such failure: (a) declare a default hereunder or (b) perform or cause to be performed the restoration work and deduct the cost thereof plus interest thereon at ten percent (10%) per annum, from the Basic Rent next due as a charge against the Landlord.

10. REPAIRS AND MAINTENANCE.

(a) Landlord Representations. Landlord represents, to the best of his knowledge, to Tenant that (i) the Premises, the Building and all Common Areas (including electrical, heating, ventilating and air conditioning ("HVAC"), mechanical, plumbing, gas and fire/life safety systems in the Building and similar building service systems) comply with all current laws, codes, and ordinances, including the Americans With Disabilities Act; and are in reasonable good working order and condition; (ii) the Building and Premises comply with all covenants, conditions, restrictions and underwriter's requirements; and (iii) subject to the last sentence of this subsection, to Landlord's actual knowledge, the Premises, Building and Common Areas are free of the presence of any Hazardous Materials (as hereinafter defined) and (iv) Landlord has not received any notice from any governmental agency that the Building or the Premises are in violation of any law or regulation. Landlord represents, based upon the Phase I Environmental Site Assessment Report that the Premises and the Building contain no asbestos or other Hazardous Materials (as herein defined) containing materials (other than as may be reflected in the Phase I Environmental Site Assessment Report).

(b) Landlord Obligations. Landlord shall keep and maintain in good repair and working order and promptly make repairs to and perform maintenance upon and replace as needed: (i) the structural elements of the Building, including without limitation, all permanent exterior and interior walls, floors and ceilings, roof, concealed plumbing, stairways, concealed electrical systems and telephone intra building network cable (ii) mechanical (including HVAC), electrical, plumbing and fire/life safety systems serving the Building (iii) the Common Areas; and (iv) exterior windows of the Building. Landlord, at its sole cost and expense, shall also perform all maintenance and repairs to the Premises, and shall keep the Premises in good condition and repair, reasonable wear and tear excepted. Landlord's repair obligations include, without limitation, repairs to: (1) the floor covering (if such floor covering is carpeting it shall be replaced as needed but not less often than after ten (10) years of use); (2) interior partitions; (3)

doors; (4) the interior side of demising walls (which shall be repainted as needed but not less often than every ten (10) years excluding reasonable touch-up). Without limiting the foregoing, Tenant shall, at Tenant's sole expense, be responsible for the cost of repairing any area damaged by Tenant or Tenant's agents, employees, invitees and visitors and the repair of low voltage electronic, phone and data cabling and related equipment that is installed by or for the exclusive benefit of Tenant. All repairs and replacements shall: (a) be made and performed by contractors or mechanics approved by Tenant, which consent shall not be unreasonably withheld or delayed, (b) be at least equal in quality, value and utility to the original work or installation, (c) be in accordance with all laws.

(c) Tenant's Right to Repair. If Tenant provides written notice (or oral notice in the event of an emergency such as damage or destruction to or of any portion of the Building structure and/or the Building systems and/or anything that could cause material disruption to Tenant's business) to Landlord of an event or circumstance which requires the action of Landlord with respect to repair and/or maintenance, and Landlord fails to provide such action within a reasonable period of time, given the circumstances, after the giving of such notice, but in any event not later than five (5) days after the giving of such notice, then Tenant may proceed to take the required action (provided, however, that no such notice shall be required in the event of an emergency which threatens life or where there is imminent danger to property or a possibility that a failure to take immediate action could cause a material disruption in Tenant's normal and customary business activities). Tenant shall have access to the Building to the extent necessary to perform the work contemplated by this provision. If such action was required under the terms of this Lease to have been taken by Landlord and was not taken by Landlord within such period (unless such notice was not required as provided above), and Tenant took such required action, then Tenant shall be entitled to prompt reimbursement by Landlord of Tenant's reasonable costs and expenses in having taken such action plus interest thereon at ten percent (10%) per annum. If not reimbursed by Landlord within ten (10) days, Tenant shall be entitled to deduct from Basic Rent payable by Tenant under this Lease the amount set forth in its invoice for such work. The remedies provided in this Section are in addition to the remedies provided in Section 15.

11. SERVICES AND UTILITIES.

Landlord shall furnish the following services and utilities to the Premises:

(a) HVAC. Landlord shall furnish heating, ventilation and air conditioning ("HVAC"), during Normal Working Hours in amounts required for the use and occupancy of the Premises for normal office purposes to a standard comparable to other Industrial buildings and not less than the standard set forth in Exhibit D attached hereto.

(b) Electricity. Landlord shall furnish to the Premises the amount of electric currently provided to the Building as of the date of this lease.

(c) Water. Landlord shall make available, at tenant's cost, water for normal lavatory and potable water meeting all applicable governmental standards for drinking purposes in the Premises.

Notwithstanding the above, Tenant agrees to pay when due all charges for the consumption of the electricity and water in connection with the demised Premises during the term of this Lease or any renewal, extension, or holdover thereof, provided the same are measured by separate meter, which shall be installed at the sole cost of the Landlord.

(d) Janitorial. Landlord shall provide janitorial service on five (5) nights per week generally consistent with that furnished in comparable office buildings in the County of

Los Angeles, but not less than the services set forth in the specifications set forth in Exhibit E attached hereto.

(e) Access. Landlord shall furnish to Tenant's employees and agents access to the Building, Premises and Common Areas on a seven (7) day per week, twenty-four (24) hour per day basis, subject to compliance with such reasonable security measures as shall from time to time be in effect for the Building.

12. TAXES. Landlord shall pay promptly all real property taxes, assessments and special assessments which may be levied or assessed against the demised Premises during the term of this Lease or any renewal or holdover period thereof. In the event Landlord fails or refuses to pay any or all taxes or assessments when due, Lessee may give Landlord thirty (30) calendar days prior written notice and pay such taxes and assessments and deduct thereafter the payments from the installments of rent next due as a charge against Landlord.

13. LANDLORD ACCESS. Tenant shall permit Landlord and its agents to enter the Premises upon prior written notice for the purpose of inspecting the Premises for any reasonable purpose. If Landlord temporarily closes any portion of the Building or Premises for more than eight consecutive business hours, Basic Rent shall be prorated based upon the percentage of the Premises or Building rendered untenable and not used by Tenant. Landlord shall have the right at any and all times to enter the Premises without notice to Tenant in the event of an emergency.

14. TENANT DEFAULT.

(a) Default. The occurrence of any one or more of the following events (a "Default") shall constitute a material default and breach of this Lease by Tenant:

(i) the failure by Tenant to make any payment of Basic Rent or any other payment required to be made by Tenant hereunder (except to the extent an offset is expressly permitted hereunder), as and when due and if the failure continues for a period of ten (10) days after written notice to Tenant;

(ii) the failure by Tenant to observe or perform any of the other covenants, conditions or provisions of this Lease, where such failure shall continue for a period of thirty (30) days after written notice from Landlord specifying in detail the nature of the default; provided, however, if more than thirty (30) days are reasonably required for its cure then Tenant shall not be deemed to be in default if Tenant commences such cure within said 30-day period and thereafter diligently prosecutes such cure to completion.

(b) Termination. Tenant agrees that if a Default should occur and should not be cured within the time periods set forth above, it shall be lawful for Landlord to terminate this Lease upon the giving of written notice to Tenant. In addition thereto, Landlord shall have such other rights or remedies as may be provided by law.

(c) No Effect on Indemnity. Nothing in this Article shall be deemed to affect either Landlord or Tenant's right to indemnification under any indemnification clause or clauses set forth in this Lease.

15. LANDLORD DEFAULT.

(a) Remedies. In addition to the provisions for Landlord's default provided by Sections 9(b), 19(b) and 20(a)(iii), Landlord shall be in default in the performance of any

obligation required to be performed by Landlord under this Lease if Landlord has failed to perform such obligation within twenty (20) days after the giving of written notice with respect thereto by Tenant (which notice shall be, if appropriate, the same notice given under Section 10(c)); provided, however, that if the nature of such default is such that the same cannot reasonably be cured within such twenty (20) day period, Landlord shall not be deemed to be in default if Landlord shall within such period commence such cure and thereafter diligently prosecute the same to completion. If the default by Landlord ("Landlord Default") is of such a nature that it materially and substantially interferes with Tenant's occupancy and use of the Premises and if such Landlord Default is not cured within the foregoing cure period, then Tenant shall have the right, at its option, upon giving written notice to Landlord, to any one or more of the following described remedies in addition to all other rights and remedies provided at law or in equity or elsewhere herein: (i) to remedy such default or breach and deduct the costs thereof (including but not limited to attorneys' fees) plus interest at the rate of ten (10%) per annum from the installments of Basic Rent next falling due; (ii) to pursue the remedy of specific performance; or (iii) to seek money damages for loss arising from Landlord's failure to discharge its obligations under this Lease or offset such damages against Basic Rent next coming due.

(b) Waiver. Nothing herein contained shall relieve Landlord from its duty to effect the repair, replacement, correction or maintenance required to restore any affected services, or to perform any other obligations to the standard prescribed in this Lease, nor shall this Section be construed to obligate Tenant to undertake any such work.

(c) Emergency. Notwithstanding the foregoing cure period, Tenant may cure any default without notice where the failure promptly to cure such default would, in the reasonable opinion of Tenant, create or allow to persist an emergency condition or materially and adversely affect the operation of Tenant's business in the Premises.

16. ASSIGNMENT AND SUBLETTING. Tenant may assign, mortgage, encumber or otherwise transfer this Lease or sublet the whole or any part of the Premises without first obtaining Landlord's prior consent; provided, however, such transferee must have a credit rating for claims paying ability by Standard and Poor's Rating Group of "AA" or better and no such assignment, subletting or other transfer shall relieve Tenant of any liability under this Lease unless Landlord has given its written consent thereto, which Landlord shall not unreasonably withhold if the assignee has a credit rating for claims paying ability by Standard and Poor's Rating Group of "AA" or better. Landlord's consent shall be given or denied within thirty (30) days of receipt of Tenant's written request for release from liability under this Lease. Should there be no response within thirty (30) days after the specific written request is made to Landlord, the request shall be deemed approved by the Landlord.

Notwithstanding the foregoing, Tenant shall have the right at all times to allow another government agency (including any government assignee, contractor or subcontractor) other than the Department of Health Services, to use the Premises, without the Landlord's written consent so long as the intended use is consistent and compatible with Tenant's use of the Premises in accordance with the terms of Section 6 of the Lease. Lessee agrees to promptly notify Landlord in writing of any such change in tenancy.

Any right to exercise the early termination options described in Section 4(d) of the Lease, the purchase option described in Section 36 of the Lease or the extension options described in Section 34 of the Lease shall be deemed personal to Tenant, and shall not be available to any assignee or sublessee of Tenant, it being understood that any such options shall, in the event of any such sublease or assignment, be void ab initio.

17. ALTERATIONS AND ADDITIONS.

(a) Landlord Consent. Tenant shall not make any structural alterations, improvements, additions, or utility installations in or about the Premises (collectively, "Alterations") without first obtaining the written consent of Landlord, which consent shall not be unreasonably withheld, conditioned or delayed. However, Landlord's consent shall not be required for any Alteration that satisfies all of the following criteria: (1) complies with all Laws; (2) is not visible from the exterior of the Premises or Building; (3) will not materially affect the systems or structure of the Building; and (4) such alteration does not cost more than \$50,000 in the aggregate. If Landlord fails to respond in writing within thirty (30) days of such request, Landlord shall be deemed to approve the Alterations.

(b) End of Term. Tenant shall remove, at its own expense, all fixtures, equipment and all other personal property placed or installed in or upon the Premises by Tenant, or under its authority (including any modular furniture). Any damage caused by Tenant in connection with the removal of any such items shall be repaired by Tenant, at Tenant's sole expense.

18. CONDEMNATION.

(a) Controlling Terms. If during the Term, or during the period of time between the execution of this Lease and the Commencement Date, there is any taking of all or any part of the Premises or any interest in this Lease by Condemnation (as defined below), this Section shall determine the rights and obligations of Tenant and Landlord. "Condemnation" shall mean the exercise of any governmental power to take title to any portion of the Premises, whether by legal proceedings or otherwise, by a Condemnor (as defined below) or a voluntary sale or transfer by Landlord to any Condemnor, either under threat of a Condemnor's exercise of such power or while legal proceedings are pending for the exercise of such power. "Condemnor" shall mean any public or quasi-public authority, or private corporation or individual, having the power of Condemnation.

(b) Total Taking. If the Premises are totally taken by Condemnation, this Lease shall terminate on the date the Condemnor has a right to possession of the Premises (the "Date of Taking").

(c) Partial Taking. If any portion, but not all, of the Premises is taken by Condemnation, this Lease shall remain in effect, except that Tenant may elect to terminate this Lease if, more than ten percent (10%) of the Premises is taken and the remaining portion of the Premises (including the space available for parking) is rendered unsuitable for Tenant's continued use of the Premises. If Tenant elects to so terminate this Lease, Tenant must exercise its right to terminate by giving notice to Landlord within thirty (30) days after the date that the nature and the extent of the Condemnation have been determined (the "Determination Date"), which notice shall set forth the date of termination. Such termination date shall not be earlier than thirty (30) days nor later than ninety (90) days after Tenant has notified Landlord of its election to terminate; except that this Lease shall terminate on the Date of Taking if the Date of Taking falls on a date before the date of termination as designated by Tenant. If Tenant does not so notify Landlord within thirty (30) days after the Determination Date, all obligations of Tenant under this Lease shall remain in effect, except that Basic Rent shall be equitably abated.

(d) Restoration. Notwithstanding the preceding paragraph, if, within thirty (30) days after the Determination Date, Landlord notifies Tenant that Landlord at its cost will add to the remaining Premises so that the area of the Premises and the space available for parking, will be substantially the same after the Date of Taking as they were before the Date of Taking, and Landlord commences the restoration promptly and, subject to reasonable allowance for delays

that are not caused by Landlord, completes it within one hundred twenty (120) days after Landlord so notifies Tenant, this Lease shall continue in effect. All obligations of Tenant under this Lease shall remain in effect, except that Basic Rent shall be equitably abated or reduced during the period from the Date of Taking until the completion of such restoration.

(e) Award. The Award (as defined below) shall be divided between Landlord and Tenant as their respective interests may appear. "Award" shall mean all compensation, sums or anything of value awarded, paid or received on a total or partial Condemnation of the Premises.

(f) Waiver of Statute. Landlord and Tenant hereby waive the provision of California Code of Civil Procedure Section 1265.130 allowing Landlord or Tenant to petition the superior court to terminate this Lease in the event of a partial taking of the Premises.

19. INDEMNIFICATION

(a) Tenant's Indemnity. Tenant shall indemnify, defend and hold Landlord harmless from and against all loss, cost and expense, including attorneys' fees, arising from any injury or damage to any person or property, occurring in or about the Building or Premises as a result of Tenant's use of the Premises or any grossly negligent act or omission or willful misconduct of Tenant or its employees or arising from any breach or default under this Lease by Tenant. The foregoing provisions shall not be construed to make Tenant responsible for loss, damage, liability or expense resulting from injuries to third parties caused by the gross negligence or willful misconduct of Landlord, or its officers, contractors, licensees, agents, employees or invitees.

(b) Landlord's Indemnity. Landlord shall indemnify, defend and hold Tenant harmless from and against all loss, cost and expense, including attorneys' fees, arising from any injury or damage to any person or property, occurring in or about the Building or Premises as a result of any grossly negligent act, omission or willful misconduct of Landlord, or its officers, contractors, licensees, agents, employees, guests, or visitors or arising from any breach or default under this Lease by Landlord. The foregoing provisions shall not be construed to make Landlord responsible for loss, damage, liability or expense resulting from injuries to third parties caused by the negligence or willful misconduct of Tenant, or its officers, contractors, licensees, agents, employees or invitees.

20. INSURANCE

(a) Landlord's Insurance. During the term of this Lease, Landlord shall maintain the following insurance:

(i) Commercial property insurance which shall (1) cover damage to Landlord's property, including improvements and betterments, from perils covered by the causes-of-loss special form (ISO form CP 10 30 or its equivalent), and include ordinance or law coverage (and coverage against acts of terrorism to the extent such coverage is reasonably available and priced at commercially reasonable rates) and (2) be written for full replacement cost of the property, with a deductible of no greater than 5% of the property value.

(ii) General liability insurance (written on ISO policy form CG 00 01 or its equivalent) with limits of not less than the following: (1) per occurrence and general aggregate amount of \$5,000,000; (2) products/completed operations aggregate of \$2,000,000 and (3) personal and advertising injury of \$1,000,000. These limits can be comprised of a combination of primary and umbrella liability policies on a following form basis.

(iii) Failure by Landlord to maintain the insurance required by this Section and deliver evidence thereof as required by this Lease or to use any insurance proceeds to timely repair and restore the Premises shall constitute a material breach of this Lease

(b) Insurance Requirements. All insurance policies required to be maintained by Landlord under this Lease shall be issued by insurance companies which have a Best's Rating of "AVII" or better and which are qualified to do business in the State of California. All liability and property damage and other casualty policies of Tenant shall be written as primary policies, not contributing with, and not in excess of coverage which Landlord may carry.

(c) Certificates. Landlord shall deliver to Tenant on the Commencement Date of this Lease and thereafter at least fifteen (15) days prior to expiration of any insurance required to be carried hereunder, certificates of insurance evidencing this coverage with limits not less than those specified above. Certificates must document that each party has named the other as an additional insured (or its equivalent) on its general liability and property insurance policy, as required. Further, all certificates shall expressly provide that no less than thirty (30) days' prior written notice shall be given to Tenant in the event of material change to, expiration or cancellation of the coverages or policies evidenced by the certificates.

(d) Waiver of Subrogation. Landlord and Tenant each hereby waive their rights of subrogation against one another to the extent it is covered by the property insurance policies required to be carried hereunder. Landlord shall cause its insurance carriers to consent to the foregoing waiver of rights of subrogation against Tenant.

(e) Tenant's Insurance. During the term of this Lease, Tenant will maintain in full force and effect the types and amounts of insurance described below with respect to the Premises and Tenant's employees (Tenant, at its sole option, shall use commercial insurance and/or self-insurance or any combination thereof to satisfy these requirements):

	Types	Amounts
(a)	Worker's Compensation	In accordance with applicable statutes
(b)	Employer's Liability	\$1,000,000 bodily injury each accident \$1,000,000 bodily injury by disease
(c)	General Liability	\$5,000,000 each occurrence combined single limit bodily injury and property damage (which can be comprised of a combination of primary and umbrella policies on a following form basis)

Landlord shall be named as an additional insured under the coverage required under (c) above. Furthermore, the policies listed in (a) and (b) above shall contain waiver of subrogation provisions in favor of Landlord.

All insurance required to be carried hereunder shall be evidenced by valid and enforceable policies, issued by financially sound and responsible insurance carriers authorized or permitted to do business in the state in which the Premises are located, and having a Best's Policyholder Rating of not less than A VII.

Tenant will provide Landlord with appropriate certificates evidencing the insurance coverage required hereunder at commencement of this Lease and at each subsequent renewal of such coverage. Replacement certificates will be sent if policies are replaced or materially modified. Each certificate will state that at least 30 days' notice shall be given to Landlord prior to the cancellation of any policy.

21. PARKING.

(a) Tenant's Rights. Tenant shall have the right to the number of exclusive reserved parking stalls set forth in Section 1 without charge for the Term of this Lease. No tandem parking shall be permitted and Tenant shall be entitled to full in/out privileges. Tenant's parking rights shall be subject to reasonable parking rules and regulations adopted by Landlord from time to time, provided that such procedures shall be uniformly applied to all tenants. Tenant acknowledges that all other parking spaces are not for the exclusive use of Tenant, rather, all such parking spaces are to be used on a non-exclusive, first-come, first-served basis by Tenant and other tenants, occupants, licensees, invitees and permittees of the Building. Landlord may substitute parking spaces assigned to Tenant with parking spaces at adjacent properties (within 500 feet) on a temporary, as needed, basis.

(b) Remedies. Landlord shall use his best efforts to provide tenant with fifty (50) exclusive spaces at all times during the Term of this Lease. If Landlord provides less than 50 spaces, Tenant may at its sole discretion, negotiate with Landlord for an equitable reduction in the monthly rent based upon the Fair Market Value, estimated to be \$100 per space, of such parking or the loss of such parking if not replaced. Notwithstanding the provision above, if during the Term of this Lease, Landlord fails to provide at least fifteen (15) permanent parking stalls (within 500 feet of the Premises), Tenant may (a) terminate this Lease by giving written notice of such termination to Landlord, provided Landlord shall have a cure period of thirty (30) days of receipt of such notice. If Landlord fails to cure within the thirty (30) days, the Lease shall be terminated.

22. ENVIRONMENTAL MATTERS

(a) Hazardous Materials. Tenant shall not cause nor permit, nor allow any of Tenant's employees, agents, customers, visitors, invitees, licensees, contractors, assignees or subtenants to cause or permit, any Hazardous Materials to be brought upon, stored, manufactured, generated, blended, handled, recycled, treated, disposed or used on, under or about the Premises, the Building or the Common Areas, except for routine office and janitorial supplies in usual and customary quantities stored, used and disposed of in accordance with all applicable Environmental Laws. As used herein, "Hazardous Materials" means any chemical, substance, material, controlled substance, object, condition, waste, living organism or combination thereof, whether solid, semi solid, liquid or gaseous, which is or may be hazardous to human health or safety or to the environment due to its radioactivity, ignitability, corrosivity, reactivity, explosivity, toxicity, carcinogenicity, mutagenicity, phytotoxicity, infectiousness or other harmful or potentially harmful properties or effects, including, without limitation, molds, toxic levels of bacteria, tobacco smoke within the Premises, petroleum and petroleum products, asbestos, radon, polychlorinated biphenyls (PCBs), refrigerants (including those substances defined in the Environmental Protection Agency's "Refrigerant Recycling Rule," as amended from time to time) and all of those chemicals, substances, materials, controlled substances, objects, conditions, wastes, living organisms or combinations thereof which are now or become in the future listed, defined or regulated in any manner by any Environmental Law based upon, directly or indirectly, such properties or effects. As used herein, "Environmental Laws" means any and all federal, state or local environmental, health and/or safety-related laws, regulations, standards, decisions of courts, ordinances, rules, codes, orders, decrees, directives, guidelines, permits or permit conditions, currently existing and as amended, enacted, issued or adopted in the future which are or become applicable to Tenant, the Premises, the Building or the Common Areas. The foregoing notwithstanding, Tenant acknowledges that it has received and reviewed and is familiar with the condition of the Premises as described in that certain Phase I Environmental Site Assessment Report. The existence of any Hazardous Materials identified in the Phase I Environmental Site Assessment Report shall not constitute a breach of, or default under, this Lease by Landlord.

(b) Landlord Indemnity. Landlord shall indemnify, protect, defend (by counsel acceptable to Tenant) and hold harmless Tenant from and against any and all claims, judgments, causes of action, damage, penalties, fine, taxes, costs, liabilities, losses and expenses arising at any time during or after the Term as a result (directly or indirectly) of or in connection with the presence of Hazardous Materials on, under or about the Premises, Building or Common Areas or other violation of laws relating to Hazardous Materials other than caused by Tenant. This indemnity shall include, without limitation, the cost of any required or necessary repair, cleanup or detoxification, and the preparation and implementation of any closure, monitoring or other required plans, as such action is required by local or state laws or any governmental agency. Landlord shall promptly deliver to Tenant a copy of any notice received from any governmental agency during the Term of this Lease concerning the presence of Hazardous Materials in the Building or the Premises. Landlord's obligations pursuant to the foregoing indemnity shall survive the expiration or termination of this Lease. A default by Landlord under this Section shall constitute a material default under this Lease.

23. ESTOPPEL CERTIFICATES. Tenant shall, within thirty (30) days after written request of Landlord, execute, acknowledge and deliver to Landlord or its designee a written statement in the form of Document II in the Supplemental Lease Documents delivered to Landlord concurrently herewith (properly completed) but shall have no other obligation to deliver any other form of estoppel certificate. It is intended that any such statement delivered pursuant to this Section may be relied upon by a prospective purchaser of Landlord's interest or holder of any mortgage upon Landlord's interest in the Premises.

24. TENANT IMPROVEMENTS. Prior to the Commencement Date, Landlord shall construct the Tenant Improvements in the manner set forth in the Landlord's Work Letter executed by Landlord and Tenant concurrently herewith.

25. LIENS. Tenant shall keep its interest in this Lease and the Premises free from any liens arising out of any work performed or materials ordered or obligations incurred by Tenant. Landlord shall keep its interest in this Lease and the Premises free from any liens which would impair the interest of Tenant hereunder and hereby indemnifies and holds Tenant harmless from any liability or loss from any such lien.

26. SUBORDINATION AND MORTGAGES

(a) Subordination and Non-Disturbance. Tenant agrees, at Landlord's option, to subordinate this Lease to the lien of any mortgages or deeds of trust now or hereafter in force against the Building; provided, however, Tenant's obligation to subordinate this Lease is expressly conditioned upon Tenant receiving a written agreement in the form of Document I in the Supplemental Lease Documents delivered to Landlord concurrently herewith and provided further that no such subordination shall affect any option to extend the Term of this Lease, right of first offer to lease additional premises, option to purchase or right of first offer to purchase the Property which may be included herein.

(b) Existing Deeds of Trust. The beneficiary under any existing deed of trust affecting the Building shall provide a written agreement to Tenant in the form of Document I in the Supplemental Lease Documents, delivered to Landlord concurrently herewith within thirty (30) days after the execution of this Lease.

(c) Request for Notice. Landlord acknowledges that Tenant intends to record a Request for Notice with respect to any mortgages or deeds of trust affecting the Property in the form of Document V in the Supplemental Lease Documents delivered to Landlord concurrently herewith.

(d) Notice of Default. If any mortgagee or beneficiary under a deed of trust affecting the Property gives written notice of its name and address to Tenant by registered mail requesting any such notice with reference to this Section, Tenant agrees to use its best efforts (but without liability for failure to do so) to give such mortgagee a copy of any notice of Default served upon Landlord hereunder which could permit Tenant to terminate this Lease and an additional ten (10) days within which to cure such Default.

27. SURRENDER OF POSSESSION. Tenant agrees to return the Premises to Landlord in as good condition as when rented, ordinary wear and tear, damage by earthquake, fire or the elements and other such disasters or casualty excepted. As between Tenant and Landlord, Tenant shall be responsible to Landlord for any and all damage to the Premises by any of Tenant's agents, servants, employees, customers or invitees. Tenant shall remove, at its own expense, all fixtures, equipment and all other personal property placed or installed in or upon the Premises by Tenant, or under its authority (including any modular furniture).

28. SIGNAGE. Tenant shall be permitted, at Tenant's sole cost and expense, to install at the Premises reasonably appropriate signs that conform with any and all applicable laws and ordinances.

29. QUIET ENJOYMENT. So long as Tenant is not in default hereunder, Tenant shall have the right to the quiet and peaceful enjoyment and possession of the Premises and the Common Areas during the Term of this Lease, subject to the terms and conditions of this Lease.

30. GENERAL

(a) Headings. Titles to Sections of this Lease are not a part of this Lease and shall have no effect upon the construction or interpretation of any part hereof.

(b) Successors and Assigns. All of the covenants, agreements, terms and conditions contained in this Lease shall inure to and be binding upon the Landlord and Tenant and their respective successors and assigns.

(c) Entire Agreement. This Lease (and the Landlord's Work Letter and Supplemental Lease Documents) is the final and complete expression of Landlord and Tenant relating in any manner to the leasing, use and occupancy of the Premises, to Tenant's use of the Building and other matters set forth in this Lease. No prior agreements or understanding pertaining to the same shall be valid or of any force or effect and the covenants and agreements of this Lease shall not be altered, modified or added to except in writing signed by both Landlord and Tenant.

(d) Severability. Any provision of this Lease which shall prove to be invalid, void or illegal shall in no way affect, impair or invalidate any other provision hereof and the remaining provisions hereof shall nevertheless remain in full force and effect.

(e) Notices. All notices and communications to any party hereunder shall be in writing and shall be deemed properly given if delivered personally, sent by registered or certified mail, postage prepaid, or by a recognized overnight commercial messenger providing proof of delivery, facsimile (electronically confirmed) to Landlord's Address for Notice and Tenant's Address for Notice as set forth in Section 1. Any notice so given shall be deemed to have been given as of the date of delivery (whether accepted or refused) established by U.S. Post Office return receipt or the overnight carrier's proof of delivery, as the case may be. Any such notice not so given shall be deemed given upon receipt of the same by the party to whom the same is to be given.

(f) Governing Law and Forum. This Lease shall be governed by and construed in accordance with the internal laws of the State of California. Any litigation with respect to this Lease shall be conducted in the County of Los Angeles, State of California.

(g) Waivers. No waiver by Landlord or Tenant of any provision hereof shall be deemed a waiver of any other provision hereof or of any subsequent breach by Landlord or Tenant of the same or any other provision. Landlord's or Tenant's consent to or approval of any act shall not be deemed to render unnecessary the obtaining of Landlord's or Tenant's consent to or approval of any subsequent act by Landlord or Tenant.

(h) Time of Essence. Time is of the essence for the performance of all of the obligations specified hereunder.

(i) Consent. Whenever any consent is required by Landlord or Tenant hereunder, such consent shall not be unreasonably withheld, conditioned or delayed and, unless otherwise specifically provided herein, shall be deemed granted if not refused within thirty (30) days after written request is made therefore, together with all necessary information.

(j) Community Business Enterprises. Landlord shall complete and deliver to Tenant concurrently with the execution hereof a Community Business Enterprises form set forth as Document IV in the Supplemental Lease Documents delivered to Landlord concurrently herewith.

(k) Memorandum of Lease. If requested by Tenant, Landlord and Tenant shall execute and acknowledge a Memorandum of Lease in the form of Document IV in the Supplemental Lease Documents delivered to Landlord concurrently herewith, which Memorandum may be recorded by Tenant in the Official Records of Los Angeles County.

31. AUTHORITY. Only the Board of Supervisors has the authority, by formally approving and/or executing this Lease, to bind the County to the terms included herein. Each individual executing this Lease on behalf of Tenant represents and warrants that he or she is duly authorized to execute and deliver this Lease on behalf of Tenant, and that this Lease is binding upon Tenant in accordance with its terms. Landlord understands that no material terms of this Lease may be altered or deleted, nor may any new material terms be added to this Lease, without the express written approval of the Board of Supervisors, either through an amendment to the Lease or by other formal board action. No County officer, employee, agent or independent contractor has any authority to alter, add or delete the material terms of this Lease and Landlord may not rely upon any representations to the contrary. This limitation of authority applies to all material terms of the Lease including, without limitation, any monetary ceiling established for Tenant Improvements or other project costs of Landlord which are subject to reimbursement by County. County shall not reimburse Landlord for any expenses which exceed this ceiling. Notwithstanding the foregoing, the Chief Administrative Officer of the County or its delegee (the "Chief Administrative Officer") may take any administrative act on behalf of Tenant hereunder which does not have the effect of increasing Basic Rent or other financial obligations of Tenant under this Lease, including without limitation, granting any approvals, terminating this Lease in the manner provided herein by an Early Termination Notice or otherwise, signing estoppel certificates, signing the Commencement Date Memorandum and Confirmation of Lease Terms or subordinating this Lease. Each individual executing this Lease on behalf of Landlord represents and warrants that he or she is duly authorized to execute and deliver this Lease on behalf of Landlord, and that this Lease is binding upon Landlord in accordance with its terms.

32. ACKNOWLEDGEMENT BY LANDLORD

Landlord acknowledges that it is aware of the following provisions:

(a) Consideration of GAIN Program Participants. Should Landlord require additional or replacement personnel after the effective date of this Lease, Landlord shall give consideration for any such employment, openings to participants in the County Department of Public Social Services' Greater Avenues for Independence ("GAIN") Program who meet Landlord's minimum qualifications for the open position. The County will refer GAIN participants by job category to Landlord.

(b) Solicitation of Consideration. It is improper for any County officer, employee or agent to solicit consideration in any form from a landlord with the implication, suggestion or statement that the landlord's provision of the consideration may secure more favorable treatment for the landlord in the award of the Lease or that landlord's failure to provide such consideration may negatively affect the County's consideration of the landlord's offer to lease. A landlord shall not offer or give, either directly or through an intermediary, consideration in any form to a County officer, employee or agent for the purpose of securing favorable treatment with respect to the award of the Lease.

Landlord shall immediately report any attempt by a County officer, employee or agent to solicit such improper consideration. The report shall be made either to the County manager charged with the supervision of the employee or to the County Auditor-Controller's Employee Fraud Hotline at (213) 974-0914 or (800) 544-6861. Failure to report such solicitation may result in the landlord's submission being eliminated from consideration.

(c) Landlord Assignment.

(i) Landlord may assign, transfer, mortgage, hypothecate or encumber Landlord's right, title and interest in and to this Lease or any portion thereof (including the right to receive rental payments but excluding its duties and obligations hereunder), and Landlord may execute any and all instruments providing for the payment of Basic Rent directly to an assignee or transferee, but only if the conditions set forth in this Section are met.

(ii) Any document or agreement purporting to assign, transfer, mortgage, hypothecate or encumber Landlord's right, title and interest in and to this Lease or any portion thereof, is hereinafter referred to as a "Security Agreement." Any Security Agreement which is executed without full compliance with the requirements of this Section shall be void as it regards this Lease.

(iii) Each assignee or transferee under the Security Agreement shall certify and agree in writing that such assignee or transferee has read and is familiar with the requirements of Sections 5950-5955 of the California Government Code, which prohibits the offer or sale of any security constituting a fractional interest in this Lease or any portion thereof, without the prior written consent of the County.

(iv) Violation by Landlord of the provisions of Section 5951 of the California Government Code will constitute a material breach of this Lease, upon which the County may impose damages in an amount equal to the greater of (a) \$500,000 or (b) 10% of the aggregate principal portion of all rental payments payable by the County during the entire Term of this Lease, it being expressly agreed that the aforesaid amount shall be imposed as liquidated damages, and not as a forfeiture or penalty. It is further specifically agreed that the aforesaid amount is presumed to be the amount of damages sustained by reason of any such violation, because from the circumstances and nature of the violation it would be impracticable and

extremely difficult to fix actual damages. In addition, the County may exercise or pursue any other right or remedy it may have under this Lease or applicable law.

(v) Landlord shall give the County notice and a copy of each Security Agreement and any other instrument relating thereto (including, but not limited to, instruments providing for the payment of Basic Rent directly to an assignee or transferee) at least two weeks prior to the effective date thereof.

(vi) Landlord shall not furnish any information concerning County or the subject matter of this Lease (including, but not limited to, offering memoranda, financial statements, economic and demographic information, and legal opinions rendered by the office of counsel for the County) to any person or entity, except with County's prior written consent. The foregoing shall not apply to any information which is available to the general public. Landlord shall indemnify, defend and hold County and its officers, agents and employees harmless from and against all claims and liability alleged to arise from the inaccuracy or incompleteness of any information furnished by Landlord in violation of this Section.

(vii) The provisions of this Section shall be binding upon and applicable to the parties hereto and their respective successors and assigns. Whenever in this Section Landlord is referred to, such reference shall be deemed to include Landlord's successors or assigns, and all covenants and agreements by or on behalf of Landlord herein shall bind and apply to Landlord's successors and assigns whether so expressed or not.

(viii) The foregoing notwithstanding, Tenant has been advised, and hereby acknowledges, that SFSHP Investors I, LLC has entered into a purchase and sale agreement and escrow instructions (the "Sale Agreement") to sell its entire ground lease interest in the entire Heritage Corporate Center (the "Center"), including the Premises, to Argus Realty Investors, LP or its affiliates (together "Argus"), and that in connection with any such sale the Lease will be assigned to Argus. Tenant further has been advised, and hereby acknowledges, that Argus intends to finance its acquisition of the Center, in part, by borrowing a loan from Principal Life Insurance Company or one of its affiliates ("Principal") and that, in connection with any such borrowing, the Lease will be assigned to Principal. Finally, Tenant has been advised, and hereby acknowledges, that Argus will thereafter sell undivided tenant in common interests in the Center, including the Premises and the Lease, to various tenant in common investors in connection with a real estate syndication program, which transfers shall result in various owners owning undivided tenant in common interests in the leasehold interests in the Center. By its execution hereof, Tenant consents to, and otherwise approves, the foregoing transfers.

33. **IRREVOCABLE OFFER.** In consideration for the time and expense that Tenant will invest, including, but not limited to, preliminary space planning, legal review, and preparation and noticing for presentation to the Tenant Real Estate Management Commission of Los Angeles County in reliance on Landlord's agreement to lease the Premises to Tenant under the terms of this Lease, Landlord irrevocably offers to enter into this Lease and not to revoke this offer until the Irrevocable Offer Expiration Date, as defined in Section 1.

IN WITNESS WHEREOF this Lease has been executed the day and year first above set forth.

LANDLORD:

SFSHP Investors, LLC, a Delaware limited liability company

By: MS Heritage Manager, LLC, a Delaware limited liability company, its Manager

By: [Signature]

Name: JEFF DALLEY

Its: VICE PRESIDENT

The above Lease and County's rights therein are acknowledged and affirmed.

ARI-HERITAGE CORPORATE CENTER, LLC, a Delaware limited liability company

By: [Signature]

Name: RICHARD GEE

Its: PRES.

TENANT:

COUNTY OF LOS ANGELES,
a body politic and corporate

By: _____

Name: _____

Chairman, Board of Supervisors

ATTEST:

Violet Varona-Lukens
Executive Officer-Clerk
of the Board of Supervisors

By: _____

Deputy

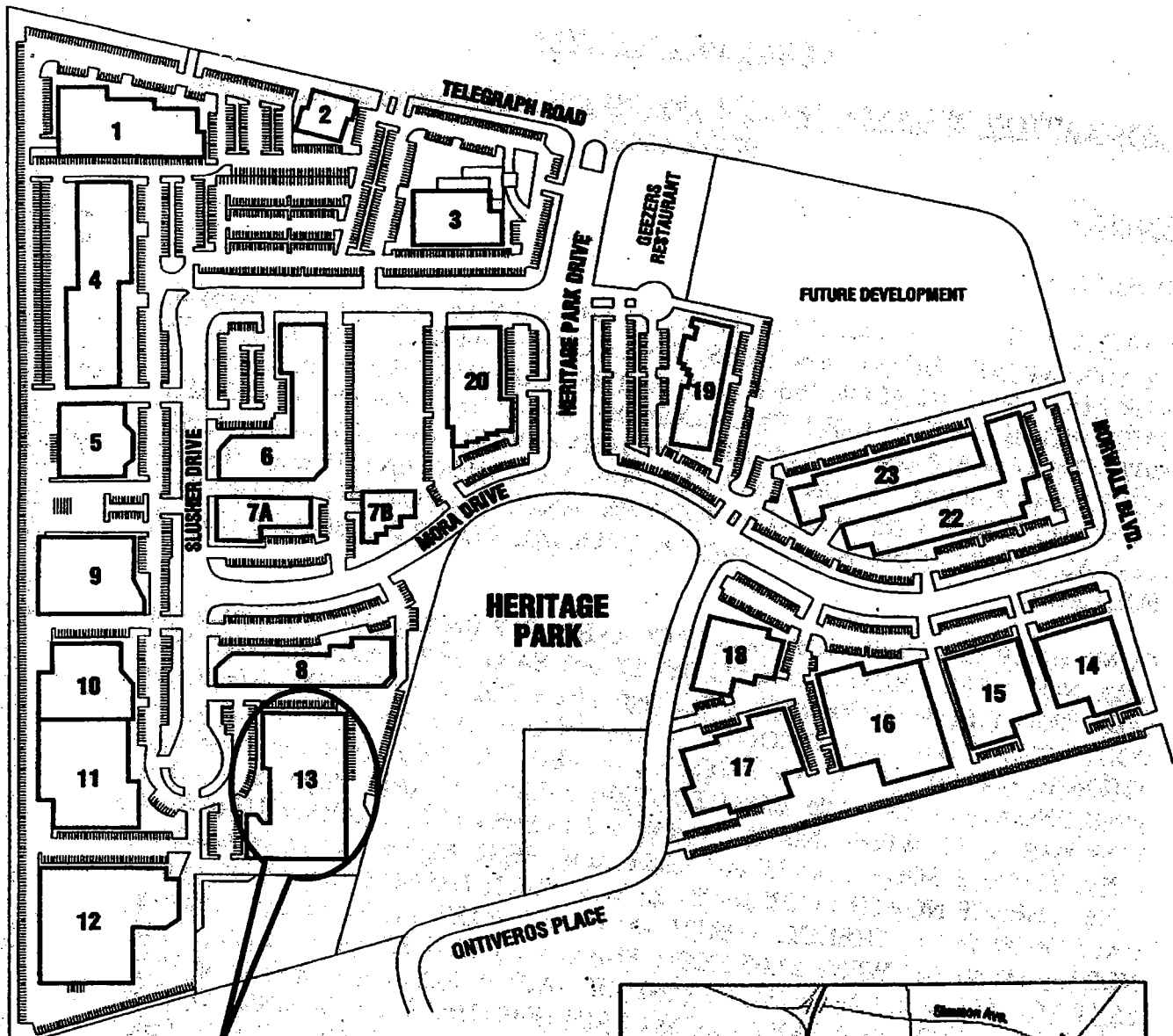
APPROVED AS TO FORM:

Lloyd W. Pellman
County Counsel

By: [Signature]

Deputy: Francis E. Scott

Exhibit A – Plan of Premises



Subject Property

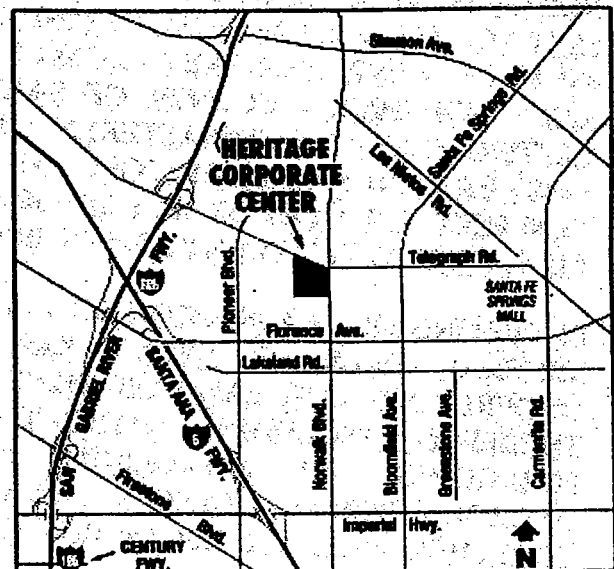


EXHIBIT B

LEGAL DESCRIPTION

DESCRIPTION OF LAND: PHASE I AND PHASE II (Premise is situated on part of this Land)

PHASE I

PARCEL A:

PARCEL 3 OF PARCEL MAP NO. 17570, IN THE CITY OF SANTA FE SPRINGS, IN THE COUNTY OF LOS ANGELES, STATE OF CALIFORNIA, AS SHOWN ON THE MAP FILED IN BOOK 196 PAGES 86 THROUGH 97 OF PARCEL MAPS, IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY, TOGETHER WITH THAT PORTION OF PARCEL 2 OF SAID PARCEL MAP NO. 17570, ALSO SHOWN AS PARCEL "A" ON THAT CERTAIN DOCUMENT ENTITLED, "GRANT OF WAIVER AND CERTIFICATE OF COMPLIANCE", RECORDED OCTOBER 9, 1987 AS INSTRUMENT NO. 87-1625351, OFFICIAL RECORDS, DESCRIBED AS FOLLOWS:

COMMENCING AT THE NORTHEAST CORNER OF PARCEL 4 OF SAID PARCEL MAP NO. 17570; THENCE SOUTH 74° 53' 00" EAST 60.33 FEET ALONG THE SOUTHERLY LINE OF PARCEL 3 TO THE TRUE POINT OF BEGINNING, SAID POINT BEING AN ANGLE POINT IN THE BOUNDARY OF SAID PARCEL 3; THENCE SOUTH 15° 07' 00" WEST 8.14 FEET ALONG THE SOUTHERLY PROLONGATION OF SAID MOST EASTERLY LINE OF SAID PARCEL 3 TO A LINE PARALLEL WITH AND SOUTHERLY 8.14 FEET FROM SAID SOUTHERLY LINE; THENCE SOUTH 74° 53' 00" EAST 61.67 FEET ALONG SAID PARALLEL LINE; THENCE NORTH 15° 07' 00" EAST 31.14 FEET; THENCE SOUTH 74° 53' 00" EAST 36.00 FEET; THENCE NORTH 15° 07' 00" EAST 115.77 FEET; THENCE NORTH 63° 40' 08" WEST 27.03 FEET; THENCE NORTH 26° 19' 52" EAST 47.00 FEET TO THE NORTHEASTERLY LINE OF SAID PARCEL 2; THENCE NORTH 63° 40' 08" WEST 129.00 FEET ALONG SAID NORTHEASTERLY LINE TO THE MOST NORTHERLY CORNER OF SAID PARCEL 2; THENCE ALONG THE EASTERLY AND NORTHEASTERLY LINES OF SAID PARCEL 3 AND SAID MOST EASTERLY LINE, THE FOLLOWING COURSES: SOUTH 26° 19' 52" WEST 47.00 FEET, SOUTH 63° 40' 08" EAST 56.46 FEET AND SOUTH 15° 07' 00" WEST 158.13 FEET TO THE TRUE POINT OF BEGINNING.

EXCEPTING FROM A PORTION OF SAID LAND, ALL OF THE MINERALS AND MINERAL ORES OF EVERY KIND AND CHARACTER, WITHIN OR UNDERLYING SAID LAND OR THAT MAY BE AT ANY TIME PRODUCED THEREFROM INCLUDING, WITHOUT LIMITING THE GENERALITY OF THE FOREGOING, ALL PETROLEUM, OIL, NATURAL GAS AND OTHER HYDROCARBON SUBSTANCES AND ALL PRODUCTS DERIVED THEREFROM, TOGETHER WITH ALL RENTS, ROYALTIES AND OTHER BENEFITS ARISING

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UNDER ANY EXISTING OR FUTURE LEASES OR OPERATING OR OTHER CONTRACTS OR AGREEMENTS IN CONNECTION THEREWITH, AND THE EXCLUSIVE AND PERPETUAL RIGHT OF INGRESS AND EGRESS BENEATH THE SURFACE OF SAID LAND TO EXPLORE FOR, EXTRACT, PRODUCE, MINE AND REMOVE THE SAME AND TO MAKE SUCH USE OF THE SAID LAND BENEATH THE SURFACE AS IS NECESSARY OR USEFUL, IN CONNECTION THEREWITH, WHICH USE MAY INCLUDE LATERAL OR SLANT DRILLING, BORING, DIGGING OR SINKING OF WELLS, SHAFTS OR TUNNELS, PROVIDED, HOWEVER, THAT SAID FIRST PARTY, HER HEIRS, ASSIGNS, LESSEES AND/OR CONTRACTEES, SHALL NOT, IN THE EXERCISE OF ANY OF SAID RIGHTS, MAKE USE OF THE SURFACE OF SAID LAND AND SHALL USE REASONABLE CARE NOT TO DISTURB THE SURFACE OF SAID LAND OR ANY IMPROVEMENTS THEREON; AS EXCEPTED AND RESERVED BY MARGARET F. SLUSHER, A WIDOW, IN DEED RECORDED MAY 4, 1955 IN BOOK 47672 PAGE 344, OFFICIAL RECORDS.

ALSO EXCEPT AN UNDIVIDED ONE HALF INTEREST IN AND TO ALL OILS, PETROLEUM, ASPHALTUM, GAS AND OTHER KINDRED SUBSTANCES WHICH NOW ARE OR MAY HEREAFTER BE IN, ON OR UNDER ANY OR ALL OF SAID LAND, ADJUDGED TO BE OWNED BY EUGENE OVERTON, INDIVIDUALLY AND AS TRUSTEE, SECURITY PACIFIC NATIONAL BANK, A NATIONAL BANKING ASSOCIATION, AS TRUSTEE, MATTHEW EDWARD OVERTON, EVERETT R. SMITH AND GORDON K. SMITH, BY DECREE ENTERED SEPTEMBER 18, 1969, IN CASE NO. 852,793 SUPERIOR COURT, LOS ANGELES, AND RECORDED MARCH 3, 1978 AS INSTRUMENT NO. 78-237179, OFFICIAL RECORDS.

RIGHTS OF SURFACE AND SUBSURFACE ACCESS WITHIN 500 FEET OF THE SURFACE OF SAID LAND, WERE RELINQUISHED EXCEPT FOR THOSE PORTIONS OF SAID LAND DESCRIBED AS SLUSHER 16 WELL WORKING AREA AND SLUSHER 29 WELL WORKING AREA IN THE SETTLEMENT AGREEMENT RECORDED JUNE 15, 1983 AS INSTRUMENT NO. 83-673799, OFFICIAL RECORDS, AS AMENDED BY THAT CERTAIN LAND USE AGREEMENT DATED DECEMBER 12, 1985 AND RECORDED JANUARY 21, 1986 AS INSTRUMENT NO. 86-79568, OFFICIAL RECORDS.

PARCEL B:

PARCEL 4 OF PARCEL MAP NO. 17570, IN THE CITY OF SANTA FE SPRINGS, IN THE COUNTY OF LOS ANGELES, STATE OF CALIFORNIA, AS SHOWN ON THE MAP FILED IN BOOK 196 PAGES 86 THROUGH 97 OF PARCEL MAPS, IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY, TOGETHER WITH THAT PORTION OF PARCEL 2 OF SAID PARCEL MAP NO. 17570, ALSO SHOWN AS PARCEL "C" ON THAT CERTAIN DOCUMENT ENTITLED, "GRANT OF WAIVER AND CERTIFICATE OF COMPLIANCE", RECORDED OCTOBER 9, 1987 AS INSTRUMENT NO. 87-1625351, OFFICIAL RECORDS, DESCRIBED AS FOLLOWS:

BEGINNING AT THE NORTHEAST CORNER OF SAID PARCEL 4; THENCE SOUTH 74° 53' 00" EAST 60.33 FEET ALONG THE SOUTHERLY LINE OF PARCEL 3 OF SAID PARCEL MAP NO. 17570 TO THE MOST EASTERLY LINE OF SAID PARCEL 3; THENCE SOUTH 15° 07' 00" WEST 8.14 FEET ALONG THE SOUTHERLY PROLONGATION OF SAID MOST EASTERLY LINE TO A LINE PARALLEL WITH AND SOUTHERLY 8.14 FEET FROM SAID SOUTHERLY LINE; THENCE SOUTH 74° 53' 00" EAST 248.25 FEET ALONG SAID PARALLEL LINE TO THE SOUTHEASTERLY LINE OF SAID PARCEL 2; THENCE ALONG SAID SOUTHEASTERLY LINE AND SOUTHERLY AND MOST WESTERLY LINES OF SAID PARCEL 2, THE FOLLOWING COURSES: SOUTH 26° 19' 52" WEST 165.66 FEET, SOUTH 74° 53' 00" EAST 36.17 FEET, SOUTH 15° 07' 00" WEST 37.00 FEET, NORTH 74° 53' 00" WEST 206.41 FEET TO THE BEGINNING OF A TANGENT CURVE CONCAVE NORTHERLY HAVING A RADIUS OF 92.00 FEET, WESTERLY 12.13 FEET ALONG SAID CURVE THROUGH A CENTRAL ANGLE OF 7° 33' 25" NORTH 67° 19' 35" WEST 50.00 FEET TO THE BEGINNING OF A TANGENT CURVE CONCAVE SOUTHERLY HAVING A RADIUS OF 72.00 FEET, WESTERLY 46.05 FEET ALONG SAID CURVE THROUGH A CENTRAL ANGLE OF 36° 38' 32" AND NORTH 15° 07' 00" EAST 208.72 FEET TO THE POINT OF BEGINNING.

EXCEPTING FROM A PORTION OF SAID LAND, ALL OF THE MINERALS AND MINERAL ORES OF EVERY KIND AND CHARACTER, WITHIN OR UNDERLYING SAID LAND OR THAT MAY BE AT ANY TIME PRODUCED THEREFROM INCLUDING, WITHOUT LIMITING THE GENERALITY OF THE FOREGOING, ALL PETROLEUM, OIL, NATURAL GAS AND OTHER HYDROCARBON SUBSTANCES AND ALL PRODUCTS DERIVED THEREFROM, TOGETHER WITH ALL RENTS, ROYALTIES AND OTHER BENEFITS ARISING UNDER ANY EXISTING OR FUTURE LEASES OR OPERATING OR OTHER CONTRACTS OR AGREEMENTS IN CONNECTION THEREWITH, AND THE EXCLUSIVE AND PERPETUAL RIGHT OF INGRESS AND EGRESS BENEATH THE SURFACE OF SAID LAND TO EXPLORE FOR, EXTRACT, PRODUCE, MINE AND REMOVE THE SAME AND TO MAKE SUCH USE OF THE SAID LAND BENEATH THE SURFACE AS IS NECESSARY OR USEFUL, IN CONNECTION THEREWITH, WHICH USE MAY INCLUDE LATERAL OR SLANT DRILLING, BORING, DIGGING OR SINKING OF WELLS, SHAFTS OR TUNNELS, PROVIDED, HOWEVER, THAT SAID FIRST PARTY, HER HEIRS, ASSIGNS, LESSEES AND/OR CONTRACTEES, SHALL NOT, IN THE EXERCISE OF ANY OF SAID RIGHTS, MAKE USE OF THE SURFACE OF SAID LAND AND SHALL USE REASONABLE CARE NOT TO DISTURB THE SURFACE OF SAID LAND OR ANY IMPROVEMENTS THEREON; AS EXCEPTED AND RESERVED BY MARGARET F. SLUSHER, A WIDOW, IN DEED RECORDED MAY 4, 1955 IN BOOK 47672 PAGE 344, OFFICIAL RECORDS.

ALSO EXCEPT AN UNDIVIDED ONE HALF INTEREST IN AND TO ALL OILS, PETROLEUM, ASPHALTUM, GAS AND OTHER KINDRED SUBSTANCES WHICH NOW ARE OR MAY HEREAFTER BE IN, ON OR UNDER ANY OR ALL OF SAID LAND, ADJUDGED TO BE OWNED BY EUGENE OVERTON,

INDIVIDUALLY AND AS TRUSTEE, SECURITY PACIFIC NATIONAL BANK, A NATIONAL BANKING ASSOCIATION, AS TRUSTEE, MATTHEW EDWARD OVERTON, EVERETT R. SMITH AND GORDON K. SMITH, BY DECREE ENTERED SEPTEMBER 18, 1969, IN CASE NO. 852,793 SUPERIOR COURT, LOS ANGELES, AND RECORDED MARCH 3, 1978 AS INSTRUMENT NO. 78-237179, OFFICIAL RECORDS.

RIGHTS OF SURFACE AND SUBSURFACE ACCESS WITHIN 500 FEET OF THE SURFACE OF SAID LAND, WERE RELINQUISHED EXCEPT FOR THOSE PORTIONS OF SAID LAND DESCRIBED AS SLUSHER 16 WELL WORKING AREA AND SLUSHER 29 WELL WORKING AREA IN THE SETTLEMENT AGREEMENT RECORDED JUNE 15, 1983 AS INSTRUMENT NO. 83-673799, OFFICIAL RECORDS, AS AMENDED BY THAT CERTAIN LAND USE AGREEMENT DATED DECEMBER 12, 1985 AND RECORDED JANUARY 21, 1986 AS INSTRUMENT NO. 86-79568, OFFICIAL RECORDS.

PARCEL C:

PARCEL 1 AND PARCELS 5 THROUGH 14 INCLUSIVE OF PARCEL MAP NO. 17570, IN THE CITY OF SANTA FE SPRINGS, IN THE COUNTY OF LOS ANGELES, STATE OF CALIFORNIA, AS SHOWN ON THE MAP FILED IN BOOK 196 PAGES 86 THROUGH 97 INCLUSIVE OF PARCEL MAPS, IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY.

EXCEPTING FROM A PORTION OF SAID LAND, ALL OF THE MINERALS AND MINERAL ORES OF EVERY KIND AND CHARACTER, WITHIN OR UNDERLYING SAID LAND OR THAT MAY BE AT ANY TIME PRODUCED THEREFROM INCLUDING, WITHOUT LIMITING THE GENERALITY OF THE FOREGOING, ALL PETROLEUM, OIL, NATURAL GAS AND OTHER HYDROCARBON SUBSTANCES AND ALL PRODUCTS DERIVED THEREFROM, TOGETHER WITH ALL RENTS, ROYALTIES AND OTHER BENEFITS ARISING UNDER ANY EXISTING OR FUTURE LEASES OR OPERATING OR OTHER CONTRACTS OR AGREEMENTS IN CONNECTION THEREWITH, AND THE EXCLUSIVE AND PERPETUAL RIGHT OF INGRESS AND EGRESS BENEATH THE SURFACE OF SAID LAND TO EXPLORE FOR, EXTRACT, PRODUCE, MINE AND REMOVE THE SAME AND TO MAKE SUCH USE OF THE SAID LAND BENEATH THE SURFACE AS IS NECESSARY OR USEFUL, IN CONNECTION THEREWITH, WHICH USE MAY INCLUDE LATERAL OR SLANT DRILLING, BORING, DIGGING OR SINKING OF WELLS, SHAFTS OR TUNNELS, PROVIDED, HOWEVER, THAT SAID FIRST PARTY, HER HEIRS, ASSIGNS, LESSEES AND/OR CONTRACTEES, SHALL NOT, IN THE EXERCISE OF ANY OF SAID RIGHTS, MAKE USE OF THE SURFACE OF SAID LAND AND SHALL USE REASONABLE CARE NOT TO DISTURB THE SURFACE OF SAID LAND OR ANY IMPROVEMENTS THEREON; AS EXCEPTED AND RESERVED BY MARGARET F. SLUSHER, A WIDOW, IN DEED RECORDED MAY 4, 1955 IN BOOK 47672 PAGE 344, OFFICIAL RECORDS.

ALSO EXCEPT AN UNDIVIDED ONE HALF INTEREST IN AND TO ALL OILS, PETROLEUM, ASPHALTUM, GAS AND OTHER KINDRED SUBSTANCES WHICH NOW ARE OR MAY HEREAFTER BE IN, ON OR UNDER ANY OR ALL OF SAID LAND, ADJUDGED TO BE OWNED BY EUGENE OVERTON, INDIVIDUALLY AND AS TRUSTEE, SECURITY PACIFIC NATIONAL BANK, A NATIONAL BANKING ASSOCIATION, AS TRUSTEE, MATTHEW EDWARD OVERTON, EVERETT R. SMITH AND GORDON K. SMITH, BY DECREE ENTERED SEPTEMBER 18, 1969, IN CASE NO. 852,793 SUPERIOR COURT, LOS ANGELES, AND RECORDED MARCH 3, 1978 AS INSTRUMENT NO. 78-237179, OFFICIAL RECORDS.

RIGHTS OF SURFACE AND SUBSURFACE ACCESS WITHIN 500 FEET OF THE SURFACE OF SAID LAND, WERE RELINQUISHED EXCEPT FOR THOSE PORTIONS OF SAID LAND DESCRIBED AS SLUSHER 16 WELL WORKING AREA AND SLUSHER 29 WELL WORKING AREA IN THE SETTLEMENT AGREEMENT RECORDED JUNE 15, 1983 AS INSTRUMENT NO. 83-673799, OFFICIAL RECORDS, AS AMENDED BY THAT CERTAIN LAND USE AGREEMENT DATED DECEMBER 12, 1985 AND RECORDED JANUARY 21, 1986 AS INSTRUMENT NO. 86-79568, OFFICIAL RECORDS.

PHASE II

PARCEL A:

PARCELS 2, 4, 5, 6, 7, 8, 9 AND 10 OF PARCEL MAP. NO 18640, IN THE CITY OF SANTA FE SPRINGS, IN THE COUNTY OF LOS ANGELES, STATE OF CALIFORNIA, AS PER MAP FILED IN BOOK 224 PAGES 44 THROUGH 57 OF PARCEL MAPS, IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY, AS AMENDED BY CERTIFICATE OF CORRECTION DATED MARCH 13, 1990 AND RECORDED MARCH 19, 1990 AS INSTRUMENT NO. 90-436544, OFFICIAL RECORDS.

EXCEPT FROM A PORTION OF SAID LAND ALL OIL, GAS AND OTHER HYDROCARBON SUBSTANCES AND OTHER MINERALS UNDER AND IN SAID LAND LYING BELOW A DEPTH OF 500 FEET MEASURED VERTICALLY FROM THE SURFACE THEREOF, WITHOUT THE RIGHT OF SURFACE ENTRY THEREON AS RESERVED BY GEARY AVENUE OIL AND GAS COMPANY, LTD., IN A DEED RECORDED DECEMBER 28, 1983 AS INSTRUMENT NO. 83-1534647, OFFICIAL RECORDS.

BY A QUITCLAIM DEED RECORDED DECEMBER 30, 1985 AS INSTRUMENT NO. 85-1537960, OFFICIAL RECORDS GEARY AVENUE OIL & GAS CO., LTD. RELINQUISHED ALL MINERALS AND MINERAL RIGHTS LYING BELOW A DEPTH OF 500 FEET BENEATH THE SURFACE OF SAID LAND TO THE REDEVELOPMENT AGENCY OF THE CITY OF SANTA FE SPRINGS, A PUBLIC BODY, CORPORATE AND POLITIC.

BY A QUITCLAIM DEED RECORDED DECEMBER 30, 1985 AS INSTRUMENT NO. 85-1537989, OFFICIAL RECORDS AND RECORDED MARCH 11, 1986 AS INSTRUMENT NO. 86-307088, OFFICIAL RECORDS, REDEVELOPMENT AGENCY OF THE CITY OF SANTA FE SPRINGS, RELINQUISHED ALL RIGHT, TITLE AND INTEREST NOW OWNED OR HEREAFTER ACQUIRED IN ALL MINERALS AND MINERAL RIGHTS LYING BELOW A DEPTH OF FIVE-HUNDRED FEET (500') BENEATH THE SURFACE, INCLUDING WITHOUT LIMITATION BY REASON OF THE GENERALITY OF THE FOREGOING, ALL OIL, GAS AND OTHER HYDROCARBON SUBSTANCES, WITHOUT RIGHT OF SURFACE ENTRY, TO SAGE ENERGY COMPANY, A TEXAS CORPORATION.

ALSO EXCEPT THAT PORTION OF SAID LAND LYING BELOW A DEPTH OF 500 FEET MEASURED VERTICALLY FROM THE SURFACE THEREOF, AS TO THAT CERTAIN FIVE ACRE PARCEL OF LAND DESCRIBED IN THE DEED FROM GEORGE PARKER RYAN, TRUSTEE OF THE GEORGE RYAN TRUST, RECORDED JANUARY 15, 1970 AS INSTRUMENT NO. 3699, SAID DEED PROVIDES "WITHOUT RIGHT OF SURFACE ENTRY".

ALSO EXCEPT FROM SAID FIVE ACRE PARCEL, AN UNDIVIDED HALF OF ALL MINERALS, ORES, METALS AND OTHER USEFUL AND VALUABLE DEPOSITS OF EVERY KIND, CHARACTER AND DESCRIPTION, INCLUDING ASPHALTUM, TAR, GAS, OIL, PETROLEUM AND ALL OTHER HYDROCARBON THAT MAY NOW OR THAT MAY HEREAFTER BE FOUND DEPOSITED, CONTAINED OR DEVELOPED IN, UPON, FROM OR UNDER, OR THAT MAY BE MINED, EXTRACTED, PUMPED OR WITHDRAWN IN, ANYWISE, FROM SAID FIVE ACRE PARCEL, TOGETHER WITH THE RENTS, ROYALTIES AND BONUSES THAT MAY BE HEREAFTER RECEIVED THEREFROM, AS RESERVED BY WILLIAM A. MATTERN AND GERTRUD MATTERN, IN DEED RECORDED AUGUST 1, 1922 IN BOOK 1332 PAGE 51, OFFICIAL RECORDS.

PARCEL B:

THAT PORTION OF PARCEL 2 OF PARCEL MAP NO. 17570, IN THE CITY OF SANTA FE SPRINGS, IN THE COUNTY OF LOS ANGELES, STATE OF CALIFORNIA, AS SHOWN ON THE MAP FILED IN BOOK 196 PAGES 86 THROUGH 97 OF PARCEL MAPS, IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY, ALSO SHOWN AS PARCEL "B" ON THAT CERTAIN DOCUMENT ENTITLED, "GRANT OF WAIVER AND CERTIFICATE OF COMPLIANCE", RECORDED OCTOBER 9, 1987 AS INSTRUMENT NO. 87-1625351, OFFICIAL RECORDS, DESCRIBED AS FOLLOWS:

COMMENCING AT THE NORTHEAST CORNER OF PARCEL 4 OF SAID PARCEL MAP NO. 17570; THENCE SOUTH 74° 53' 00" EAST 60.33 FEET ALONG THE SOUTHERLY LINE OF PARCEL 3 OF SAID PARCEL MAP NO. 17570 TO THE MOST EASTERLY LINE OF SAID PARCEL 3; THENCE SOUTH 15° 07' 00" WEST 8.14 FEET ALONG THE SOUTHERLY PROLONGATION OF SAID MOST EASTERLY LINE TO A LINE PARALLEL WITH AND SOUTHERLY 8.14 FEET

FROM SAID SOUTHERLY LINE; THENCE SOUTH 74° 53' 00" EAST 61.67 FEET
ALONG SAID PARALLEL LINE TO THE TRUE POINT OF BEGINNING; THENCE
NORTH 15° 07' 00" EAST 31.14 FEET; THENCE SOUTH 74° 53' 00" EAST 36.00
FEET; THENCE NORTH 15° 07' 00" EAST 115.77 FEET; THENCE NORTH
63° 40' 08" WEST 27.03 FEET; THENCE NORTH 26° 19' 52" EAST 47.00 FEET TO
THE NORTHEASTERLY LINE OF SAID PARCEL 2; THENCE ALONG SAID
NORTHEASTERLY LINE AND THE SOUTHEASTERLY LINE OF SAID PARCEL
2, THE FOLLOWING COURSES: SOUTH 63° 40' 08" EAST 236.31 FEET, SOUTH
26° 19' 52" WEST 47.00 FEET, NORTH 63° 40' 08" WEST 33.00 FEET AND SOUTH
26° 19' 52" WEST 114.82 FEET TO SAID PARALLEL LINE; THENCE NORTH
74° 53' 00" WEST 186.58 FEET ALONG SAID PARALLEL LINE TO THE TRUE
POINT OF BEGINNING.

EXCEPT AN UNDIVIDED ONE HALF INTEREST IN AND TO ALL OILS,
PETROLEUM, ASPHALTUM, GAS AND OTHER KINDRED SUBSTANCES
WHICH NOW ARE OR MAY HEREAFTER BE IN, ON OR UNDER ANY OR ALL
OF SAID LAND, ADJUDGED TO BE OWNED BY EUGENE OVERTON,
INDIVIDUALLY AND AS TRUSTEE, SECURITY PACIFIC NATIONAL BANK, A
NATIONAL BANKING ASSOCIATION, AS TRUSTEE, MATTHEW EDWARD
OVERTON, EVERETT R. SMITH AND GORDON K. SMITH, BY DECREE
ENTERED SEPTEMBER 18, 1969, IN CASE NO. 852,793 SUPERIOR COURT, LOS
ANGELES, AND RECORDED MARCH 3, 1978 AS INSTRUMENT NO. 78-237179,
OFFICIAL RECORDS.

PARCEL C:

PARCEL 15 OF PARCEL MAP NO. 17570, IN THE CITY OF SANTA FE SPRINGS,
IN THE COUNTY OF LOS ANGELES, STATE OF CALIFORNIA, AS SHOWN ON
MAP FILED IN BOOK 198 PAGES 86 THROUGH 97 INCLUSIVE OF PARCEL
MAPS, IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY.
EXCEPT AN UNDIVIDED ONE HALF INTEREST IN AND TO ALL OILS,
PETROLEUM, ASPHALTUM, GAS AND OTHER KINDRED SUBSTANCES
WHICH NOW ARE OR MAY HEREAFTER BE IN, ON OR UNDER ANY OR ALL
OF SAID LAND, ADJUDGED TO BE OWNED BY EUGENE OVERTON,
INDIVIDUALLY AND AS TRUSTEE, SECURITY PACIFIC NATIONAL BANK, A
NATIONAL BANKING ASSOCIATION, AS TRUSTEE, MATTHEW EDWARD
OVERTON, EVERETT R. SMITH AND GORDON K. SMITH, BY DECREE
ENTERED SEPTEMBER 18, 1969, IN CASE NO. 852,793 SUPERIOR COURT, LOS
ANGELES, AND RECORDED MARCH 3, 1978 AS INSTRUMENT NO. 78-237179,
OFFICIAL RECORDS

EXHIBIT C

COMMENCEMENT DATE MEMORANDUM
AND CONFIRMATION OF LEASE TERMS

Reference is made to that certain lease ("Lease") dated December _____, 2003, between County of Los Angeles, a body politic and corporate ("Tenant"), and SFSHP Investors I, LLC, a Delaware Limited Liability Company ("Landlord"), whereby Landlord leased to Tenant and Tenant leased from Landlord certain premises in the building located at 10430 Slusher Drive, Santa Fe Springs, California ("Premises"),

Landlord and Tenant hereby acknowledge as follows:

- (1) Landlord delivered possession of the Premises to Tenant in a Substantially Complete condition on _____, 2004 ("Possession Date");
- (2) Tenant has accepted possession of the Premises and now occupies the same;
- (3) The Lease commenced on _____, 2004 ("Commencement Date");
- (4) The Premises contain 45,290 rentable square feet of space; and
- (5) Basic Rent Per Month is \$28,985.60 per month (adjustable only as provided in Exhibit F of the lease).

IN WITNESS WHEREOF, this Memorandum is executed this ____ day of _____, 2004.

"Tenant"	"Landlord"
COUNTY OF LOS ANGELES, a body politic and corporate	SFSHP Investors I, LLC, a Delaware limited liability company
By: _____ Name: _____ Its: _____	By: MS Heritage Manager, LLC, a Delaware limited liability company, its Manager By: _____ Name: _____ Its: _____

EXHIBIT D

HVAC STANDARDS

Excluding the space used as warehouse and storage the Landlord shall supply, cooling, ventilating and heating with capacity to produce the following results effective during Normal Working Hours established by the Lease and within tolerances normal in comparable office buildings; maintenance of inside space conditions of not greater than 78 degrees Fahrenheit when the outside air temperature is not more than 93 degrees Fahrenheit dry bulb and 70 degrees Fahrenheit wet bulb, and not less than 70 degrees Fahrenheit when the outside air temperature is not lower than 42 degrees Fahrenheit dry bulb. Interior space is designated at a rate of one zone for approximately each 1,000 square feet and one diffuser for each 200 square feet of usable square footage within the Premises. If energy requirements prohibit Landlord from complying with these requirements, Tenant shall not unreasonably withhold its consent to temporary waivers or modifications.

EXHIBIT E

OFFICE CLEANING AND MAINTENANCE SCHEDULE

1. DAILY (Monday through Friday)

- A. Carpets vacuumed.
- B. Composition floors dust-mopped.
- C. Desks, desk accessories and office furniture dusted. Papers and folders left on desk not to be moved.
- D. Waste baskets, other trash receptacles emptied.
- E. Chairs and waste baskets returned to proper position.
- F. Fingerprints removed from glass doors and partitions.
- G. Drinking fountains cleaned, sanitized and polished.
- H. Lavatories, toilets and toilet rooms cleaned and mopped. Toilet supplies replenished.
- I. Bulb and tube replacements, as required.
- J. Graffiti expunged as needed within two (2) working days after notice by Tenant.
- K. Floors washed as needed.
- L. Kitchen/Lunchroom supplies replenished including paper supplies and soap.

2. WEEKLY

- A. Low-reach areas, chair rungs, baseboards and insides of door jambs dusted.
- B. Window sills, ledges and wood paneling and molding dusted.

3. MONTHLY

- A. Floors washed and waxed in uncarpeted office area.
- B. High-reach areas, door frames and tops of partitions dusted.
- C. Upholstered furniture vacuumed, plastic and leather furniture wiped.
- D. Picture moldings and frames dusted.
- E. Wall vents and ceiling vents vacuumed.
- F. HVAC chiller water checked for bacteria, water conditioned as necessary.

4. QUARTERLY

- A. Light fixtures cleaned and dusted, but not less frequently than Quarterly.
- B. Wood furniture polished.
- C. Draperies or mini-blinds cleaned as required, but not less frequently than Quarterly.
- D. HVAC units serviced for preventative maintenance purposes, all filters changed.

5. SEMI-ANNUALLY

- A. Windows washed as required inside and outside but not less frequently than twice annually.
- B. All painted wall and door surfaces washed and stains removed.
- C. All walls treated with vinyl covering washed and stains removed.

6. ANNUALLY

- A. Furniture Systems and any other fabric or upholstered surfaces including chairs, couches, walls, etc., spot cleaned, or if determined to be necessary in Tenant's sole discretion, professionally cleaned in their entirety using a water extraction system.
- B. Bathroom and any other ceramic tile surfaces professionally cleaned using a hand scrub process. All grout and porous surfaces resealed with a professional grade sealant.
- C. Touch-up paint all interior painted surfaces in a color and finish to match existing.
- D. Carpet professionally spot cleaned as required to remove stains.

7. AS NEEDED

- A. Premises and the sidewalks, driveways, parking areas and all means of access and egress for the Premises should be maintained in good repair, and in clean and safe condition at all times.
- B. All lawns, shrubbery and foliage on the grounds of the Premises should be maintained in good condition and neat in appearance. Grass and shrubbery must be replanted as needed to maintain the grounds in good appearance and condition.
- C. Carpets to be cleaned using a non-detergent, low moisture, soil encapsulation system as recommended by the carpet manufacturer. The following schedule will be maintained for carpet cleaning: (i) heavy traffic areas as needed with a minimum frequency of bi-monthly [six (6) times per year]; (ii) moderate traffic areas cleaned as needed with a minimum of once every six (6) months [two (2) times per year]; and (iii) clean light traffic areas a minimum of once per year. Landlord agrees that bonnet cleaning is not an acceptable method of cleaning carpets.
- D. All walls repainted and wall coverings replaced throughout the Premises. The paint finish should be eggshell or semi-gloss as directed by Tenant and in a color acceptable to Tenant. In no event will Landlord be required to repaint or replace wall coverings more than one (1) time in a five (5) year period (the "Occurrence"). The initial tenant improvements completed prior to Tenant's occupancy or as a condition to the renewal of the Lease shall not constitute and Occurrence for the purpose of determining the frequency of this work.

8. GENERAL

Landlord shall, upon request of Tenant, produce written service contracts as evidence of compliance with the terms of this Cleaning and Maintenance Schedule.

EXHIBIT F
RENT SCHEDULE

Year 1	\$0.64 per square foot
Year 2	\$0.66 per square foot
Year 3	\$0.68 per square foot
Year 4	\$0.70 per square foot
Year 5	\$0.72 per square foot
Year 6	\$0.68 per square foot
Year 7	\$0.70 per square foot
Year 8	\$0.72 per square foot
Year 9	\$0.74 per square foot
Year 10	\$0.76 per square foot

First Option Period

Year 1	\$0.78 per square foot
Year 2	\$0.80 per square foot
Year 3	\$0.82 per square foot
Year 4	\$0.84 per square foot
Year 5	\$0.86 per square foot

Second Option Period

Year 1	\$0.88 per square foot
Year 2	\$0.90 per square foot
Year 3	\$0.92 per square foot
Year 4	\$0.94 per square foot
Year 5	\$0.96 per square foot

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ADDENDUM TO LEASE AND ALTERNATIVE PROVISIONS

For

**COUNTY OF LOS ANGELES
CHIEF ADMINISTRATIVE OFFICE
LEASE AND AGREEMENT**

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ADDENDUM TO LEASE

THIS ADDENDUM TO LEASE ("Addendum") is attached to and constitutes an integral part of the Lease between SFSHP INVESTORS I, LLC, a Delaware Limited Liability Company, as Landlord, and County of Los Angeles, a body politic and corporate, as Tenant. The terms of this Addendum shall be incorporated in the Lease for all purposes. All words and phrases not specifically defined in this Addendum shall have the same meaning as in the Lease.

The following new Sections are hereby added to the Lease which state in their entirety as follows:

34. New Section 34 - Option to Extend. A new Section 34 hereby is added to the Lease which states in its entirety as follows:

(a) Terms of Options. Provided that no material Default has occurred and is continuing under the Lease at the time the option is exercised, Tenant shall have two (2) options to renew this Lease for an additional period of sixty (60) months each (respectively, the "First Extension Term" and the "Second Extension Term", and collectively, the "Extension Term(s)"). Rent during any extension term shall be payable as set forth in Exhibit F to the Lease.

(b) Exercise of Option. Tenant must exercise its options to extend this Lease by giving Landlord written notice of its election to do so no later than one hundred eighty (180) days prior to the end of the initial Term, or the First Extension Term, as applicable.

(c) Terms and Conditions of Extension Terms. The Extension Terms shall be on all the terms and conditions of this Lease, including Basic Rent [except that Landlord shall have no additional obligation for free rent, leasehold improvements or for any other tenant inducements for the Extension Terms] provided that Tenant's early termination right described in Section 4(d) shall require that the applicable written notice be given on the first day following the first twenty-four (24) months of each option period, and that the effective date of any such termination be at least 120 days thereafter. In no event shall Landlord be responsible for payment of any brokerage fees or commissions to any broker or finder retained by Tenant or representing Tenant.

35. RESERVED.

36. New Section 36 - Option to Purchase all of the Landlord's interest in the Ground lease (including any improvements). A new Section 36 is hereby added to the Lease which states in its entirety as follows:

(a) (i) Landlord has informed Tenant of its intent to sell the Center to Argus as described in Section 32 of the Lease. Should the sale to Argus occur and provided that the Landlord has not given written notice that a material Default has occurred and is continuing under the Lease at the time the Notice of Intent (as defined below) is given, Tenant shall, subject to the terms of this Section, have the option to purchase the Landlord's ground lease interest and improvements in the Premises (which is described in Exhibit A hereto) on the terms and conditions herein set forth for a purchase price of Two Million Seven Hundred Thousand Dollars (\$2,700,000.00) plus any unamortized amounts of Additional Tenant Improvement Allowance and the Change Order Allowance (the "Purchase Price"), at any time between the eighteenth (18th) and thirtieth (30th) months of the initial Term of this Lease. If Tenant intends to exercise this option, it shall give written notice of such intention to Landlord (the "Notice of Intent"), stating the proposed closing date of the sale (the "Closing Date"), which shall be at least ninety (90) days, but not more than six (6) months thereafter. Tenant shall enclose with the Notice of

Intent the proposed form of a written purchase and sale agreement and escrow instructions in the form then customarily used by Tenant (the "Purchase Contract"). Landlord and Tenant shall thereafter use good faith efforts to mutually agree to the final form of the Purchase Contract by which Landlord shall agree to convey the property and Tenant shall agree to purchase the property for the Purchase Price on or before the Closing Date on the terms and conditions set forth herein. Landlord and Tenant shall execute such Purchase Contract thereafter and deliver a copy thereof to an escrow holder selected by Tenant. Escrow fees shall be shared equally by both parties. Prorations of expenses of the property and the payment of closing costs shall be shared in accordance with the custom then prevailing in Los Angeles County except as otherwise provided herein. The terms of this Lease shall continue to be in effect until the Closing Date of Tenant's purchase of the property, at which time this Lease shall be automatically terminated. If for any reason the escrow is cancelled, this Lease shall continue to be in effect.

(ii) Should the sale by Landlord to Argus not occur, Tenant shall, in lieu of the option described in the immediately preceding paragraph, have the option to purchase the Landlord's ground lease interest and improvements (which is described in Exhibit A hereto) on the terms and conditions herein set forth for a purchase price of Two Million Seven Hundred Thousand Dollars (\$2,700,000.00) plus any unamortized amounts of Additional Tenant Improvement Allowance and the Change Order Allowance (the "Purchase Price") at any time between the eighteenth (18th) and sixtieth (60th) months of the initial Term of this Lease. If Tenant intends to exercise this option, it shall give written notice of such intention to Landlord (the "Notice of Intent"), stating the proposed closing date of the sale (the "Closing Date"), which shall be at least ninety (90) days, but not more than six (6) months thereafter. Tenant shall enclose with the Notice of Intent the proposed form of a written purchase and sale agreement and escrow instructions in the form then customarily used by Tenant (the "Purchase Contract"). Landlord and Tenant shall thereafter use good faith efforts to mutually agree to the final form of the Purchase Contract by which Landlord shall agree to convey the property and Tenant shall agree to purchase the property for the Purchase Price on or before the Closing Date on the terms and conditions set forth herein. Landlord and Tenant shall execute such Purchase Contract thereafter and deliver a copy thereof to an escrow holder selected by Tenant. Escrow fees shall be shared equally by both parties. Prorations of expenses of the property and the payment of closing costs shall be shared in accordance with the custom then prevailing in Los Angeles County except as otherwise provided herein. The terms of this Lease shall continue to be in effect until the Closing Date of Tenant's purchase of the property, at which time this Lease shall be automatically terminated. If for any reason the escrow is cancelled, this Lease shall continue to be in effect. If however, Landlord enters into a contract to sell the property to another party other than the Argus Sale, the Tenant's option to purchase shall revert back to the time period specified in the Section 36(a)(i) of between the 18th and 30th month of the initial Term of the Lease. If such contract is executed on after the 30th month of the initial Term of the Lease, the Tenant's option to purchase shall be terminated.

(b) The purchase shall be subject to (a) a review of the feasibility, zoning, environmental, title and other matters affecting the property during a period of ninety (90) days after execution of the Purchase Contract, and (b) approval of the proposed purchase of the property by the Board of Supervisors and (c) the approval and consent of the ground lessor to both the separation of the property from the balance of the Center controlled by the ground lease and of the transfer of the leasehold interest in the property to Tenant. If Tenant is not satisfied with the results of such review, in its absolute discretion, or if the purchase of the Property is not approved by the Board of Supervisors, the Purchase Contract may be terminated by Tenant by written notice to Landlord with no further obligation or liability thereunder, in which event the Lease shall continue in full force and effect. If the ground lessor does not provide the consent and approval required in the preceding sentence, then either Landlord or Tenant can terminate the Purchase Contract by written notice to the other with no further obligation or liability thereunder, in which event the Lease shall continue in full force and effect. Landlord shall cooperate with Tenant by permitting access to the property for purposes of making such

inspections as are reasonable and customary and shall deliver such information concerning the property as may be reasonably requested.

(c) Landlord shall convey good and marketable fee title to the Landlord's ground lease interest and improvements to Tenant at the Closing and shall, at its expense, deliver to Tenant at the Closing, a standard coverage CLTA policy of title insurance in the amount of the Purchase Price insuring that leasehold title is vested in Tenant subject only to such matters as Tenant has approved or which otherwise affect the property including, in all events, the ground lease. Other than the obligation to obtain the release of the property from any financing incurred by the Landlord that is secured by the property, Landlord shall have no obligation to cure any other title exceptions. Except as set forth above, the sale of the Landlord's ground lease interest and improvements shall be on an "as-is" basis.

LANDLORD'S WORK LETTER

For

**COUNTY OF LOS ANGELES
CHIEF ADMINISTRATIVE OFFICE
LEASE AND AGREEMENT**

DEPARTMENT: HEALTH SERVICES (Emergency Medical Services Agency), as Tenant

LANDLORD: SHSHP INVESTORS I, LLC, a Delaware Limited Liability Company

10430 Slusher Drive, Santa Fe Springs, CA

LANDLORD'S WORK LETTER

This Work Letter supplements the Lease (the "Lease") dated December __, 2003, executed concurrently herewith, by and between SFSHP INVESTORS I, LLC, a Delaware Limited Liability Company as Landlord, and COUNTY OF LOS ANGELES as Tenant, covering certain Premises described in the Lease. Terms capitalized but not otherwise defined herein shall have the meanings ascribed to them in the Lease.

The parties hereby agree as follows:

1. **Basic Work Letter Information.** The following terms as used herein shall have the meanings provided in this Section unless otherwise specifically modified by provisions of this Work Letter.

- | | |
|--|--|
| (a) <u>Base Tenant Improvement Allowance</u> | \$85,000.00 (\$1.88 per rentable square foot) |
| (b) <u>Additional Tenant Improvement Allowance</u> | \$500,000 (\$11.04 per rentable square foot) |
| (c) <u>Maximum Change Order Allowance</u> | \$10,000.00 (\$.22 per rentable square foot) |
| (d) <u>Additional Tenant Improvement and Change Order Amortization Rate:</u> | (i) Payable in a lump sum payment within thirty (30) days after the Commencement Date; or upon a finalized accounting of all Tenant Improvements having been provided by Landlord and reviewed by the County, whichever first occurs; or
(ii) 8.0% per annum payable monthly over the first 60 months of the lease (provided that after the 36 th month, Tenant shall have the option to pre-pay in a lump sum the unamortized portion). Furthermore, if Tenant exercises its Option to Purchase (as described in Addendum to Lease Section 36), the unamortized portion shall be added to the Purchase Price. |
| (e) <u>Basic Rent Reduction</u> | n/a and n/a /100 Dollars (\$ 0) per month |
| (f) <u>Tenant's Work Letter Representative</u> | Thomas Shepos |
| (g) <u>Landlord's Work Letter Representative</u> | Jeff Dritley |
| (h) <u>Landlord's Address for Work Letter Notice</u> | SFSHP INVESTORS I, LLC
C/O Kearny Real Estate Company
Attn: Jeffrey Dritley
1900 Avenue of the Stars, Suite 320
Los Angeles, CA 90067 |

(i) Tenant's Address for Work Letter Notice

Board of Supervisors
Kenneth Hahn Hall of Administration,
Room 383
500 West Temple Street
Los Angeles, California 90012

With a copy to:

Chief Administrative Office
Real Estate Division
222 South Hill Street, 3rd Floor
Los Angeles, California 90012
Attention: Director of Real Estate

(j) Addenda

Addendum A: Base Building Improvements
Addendum B: Tenant Improvements
Addendum C: Form of Budget
Addendum D: Costs of Tenant Improvements

2. Construction of the Building.

2.1 Base Building Improvements Landlord has constructed or shall construct the base Building improvements as a part of the Building described on Addendum A hereto (the "Base Building Improvements"). To the extent that the Base Building Improvements must be changed or added to in order to accommodate the special needs of Tenant in the Premises, such changes or additions shall be considered Tenant Improvements (as defined below) only to the extent such changes or additions are specifically described in Addendum B hereto.

2.2 Additional Costs Not Tenant Improvement Costs

(a) In the event that the Building as initially constructed does not comply with current life-fire safety codes, disabled access codes (including, without limitation, the ADA), and/or earthquake safety codes, and Landlord incurs increased design or construction costs that it would not have incurred had the Building been in compliance with such codes, such costs shall not be included in the calculation of Tenant Improvement Costs as defined below and Tenant shall have no financial responsibility for such costs. However, Landlord shall not be responsible for the cost associated with seismic upgrades necessary to meet the building's compliance to the current Los Angeles County Building Code requirements for essential facilities.

(b) Any work that Landlord must undertake to cause the Premises to comply with the access requirements of the ADA or make existing building systems, including, but not limited to, electrical service and HVAC equipment, fully operational shall be at Landlord's sole cost and expense. Tenant Improvement Costs shall not include any costs associated with (i) asbestos abatement or compliance with the Hazardous Materials provision of the Lease, including all expenses associated with curing any "Sick Building Syndromes", (ii) fire sprinkler system installation or upgrade, (iii) conversion of air conditioning systems to eliminate use of CFC refrigerants that are harmful to the atmosphere, (iv) utility costs incurred during construction, (v) costs incurred in order to cause the Premises to comply with any mechanical or electrical requirements set forth in the Lease, or (v) supervision or overhead costs of Landlord.

3. **Selection of Architect and Engineer.** Landlord shall promptly solicit at least two (2) proposals from qualified licensed architects ("Architect") and engineers ("Engineer"), if only required as mutually determined by Landlord and Tenant, familiar with all applicable laws and building requirements detailing a scope of work sufficient to complete the Working Drawings as defined below. If required, the Architect and the Engineer shall be selected by Landlord subject to Tenant's consent, which consent shall not be unreasonably withheld, and which consent (or refusal to consent for reasonable reasons) shall be granted within three (3) business days after Landlord has submitted the name of the Architect and the Engineer to Tenant together with detailed proposals outlining the cost for design/engineering services. This procedure shall be repeated until the Architect and the Engineer is/are finally approved by Tenant and written consent has been delivered to and received by Landlord.

4. **Selection of Contractor.** The Final Plans, as defined below, and a proposed construction contract approved by Tenant, shall be submitted to contractors, selected by Landlord and approved by Tenant, sufficient in number so that a minimum of two (2) bids are received. Each approved contractor shall be requested to submit a sealed fixed price contract bid price (on such contract form as Landlord shall designate) to construct the Tenant Improvements designated on the Final Plans. Landlord and Tenant shall jointly open and review the bids. Landlord and Tenant, after adjustments for inconsistent assumptions, shall select the most qualified bidder (with consideration given to price and schedule), and such contractor ("Contractor") shall enter into a construction contract ("Construction Contract") with Landlord consistent with the terms of the bid to construct the Tenant Improvements.

5. **Preparation of Plans and Specifications and Construction Schedule.**

5.1 **Preparation of Space Plan.** Concurrently with the execution of this Lease, Tenant shall submit to Landlord a Space Plan and specifications for the Premises showing all demising walls, corridors, entrances, exits, doors, interior partitions, and the locations of all offices, conference rooms, computer rooms, mini-service kitchens, and the reception area, library, and file room (the "Space Plan").

5.2 **Approval of Space Plan.** Within two (2) days after Landlord receives the Space Plan, Landlord shall either approve or disapprove the Space Plan. Any disapprovals must be only for reasonable and material reasons including, but not limited to (1) a material adverse effect on the Building structure; (2) possible damage to the Building mechanical systems, (3) non-compliance with applicable codes, or (4) material adverse effect on the exterior appearance of the Building.

5.3 **Revisions to Space Plan.** Tenant shall make the changes necessary in order to correct the matters in the Space Plan disapproved by Landlord and shall return the Space Plan to Landlord, which Landlord shall approve or disapprove within two (2) days after Landlord receives the revised Space Plan. This procedure shall be repeated until written approval of the Space Plan by Landlord has been delivered to Tenant. The Space Plan may be submitted by Tenant in one or more stages and at one or more times, and the time periods for Landlord's approval shall apply with respect to each such portion submitted.

5.4 **Preparation and Approval of Working Drawings.** Within ten (10) days of the date the Space Plan is approved by Landlord (the "Plan Approval Date"), Landlord shall instruct the Architect to commence preparation of Working Drawings (the "Working Drawings"), only if required as mutually determined by Landlord and Tenant, which shall be compatible with the design, construction and equipment of the Building, comply with all applicable laws, be capable of physical measurement and construction, contain all such information as may be required for the construction of the Tenant Improvements and the preparation of the Engineering Drawings

(as defined below), and contain all partition locations, plumbing locations, air conditioning system and duct work, special air conditioning requirements, reflected ceiling plans, office equipment locations, and special security systems. The Working Drawings may be submitted in one or more stages and at one or more times. Landlord shall provide Tenant the Working Drawings, or such portion as has from time to time been submitted, for review. Landlord shall be solely responsible for insuring that the Working Drawings fully comply with all applicable building codes and are free from errors or omissions on the part of the Architect.

5.5 Preparation and Approval of Engineering Drawings. Landlord shall cause the Architect to coordinate all engineering drawings prepared by the Engineer, showing complete mechanical, electrical, plumbing, and HVAC plans ("Engineering Drawings") to be integrated into the Working Drawings. The Engineering Drawings may be submitted in one or more stages and at one or more times for Tenant's review.

5.6 Integration of Working Drawings and Engineering Drawings into Final Plans. After Tenant has approved the Engineering Drawings, Landlord shall cause the Architect to integrate the approved Working Drawings with the approved Engineering Drawings (collectively "Final Plans") and deliver five (5) sets of the Final Plans to Tenant. The Final Plans shall be suitable for plan check review and permitting by local agencies having jurisdiction, for the layout, improvement and finish of the Premises consistent with the design and construction of the Base Building Improvements, including electrical and mechanical drawings, capacity reports, dimensioned partition plans, floor and wall finish plans, reflected ceiling plans, power, telephone communications and data plans, life safety devices, construction detail sheets including millwork detail plans showing the location of partitions, light fixtures, electrical outlets, telephone outlets, sprinklers, doors, equipment specifications (including weight specifications and cooling requirements) and power requirements (including voltage, amps, phase, and special plugs and connections), wall finishes, floor coverings, millwork and other Tenant Improvements.

5.7 Approval of Plans by Tenant. Approval by Tenant shall not be deemed to be a representation by Tenant as to the adequacy or correctness of the design of the Tenant Improvements.

5.8 Schedule. Within thirty (30) days after the Plan Approval Date, Landlord shall submit to Tenant a detailed construction schedule, subject to approval by Tenant which approval shall not be unreasonably withheld, setting forth the dates specific completion of certain project benchmarks including, but not limited to, completion of Working Drawings, completion of Engineering Drawings, submission of plans to local jurisdiction for review, issuance of building permit, submission of plans to contractors for bidding, award of construction contract, construction commencement, construction completion, projected Commencement Date and other similar dates. As the construction continues, Landlord shall amend the schedule from time to time to reflect any changes to the projected dates.

6. Final Construction Budget and Payment of Tenant Construction Costs

6.1 Construction Budget. Within thirty (30) days after the Plan Approval Date, Landlord shall submit to Tenant a preliminary budget (the "Preliminary Budget" in a format similar to Addendum C attached hereto. Such budget shall be revised into final form within ten (10) days from of the date the Contractor is selected and will be referred to herein as the "Final Construction Budget". Tenant shall have five (5) days from the date of receipt of the Final Construction Budget to approve or disapprove the Final Construction Budget. Construction of the Tenant Improvements shall not begin until such time as Tenant indicates its approval or disapproval of the Final Construction Budget or the five (5) day period expires without any response from Tenant. In the event Tenant disapproves the Final Construction Budget due to matters related to cost and the Final Construction Budget is ten percent (10%) or more higher in cost than was projected in the Preliminary Construction Budget, then any delay caused by the

necessity to rebid or redesign the Tenant Improvements shall not be considered a Tenant Delay. Landlord shall review the Space Plan, Working Drawings, Engineering Drawings and Final Plans at its sole cost and expense. No fee for profit, overhead or general conditions in connection with the construction of the Tenant Improvements shall be included in the Final Construction Budget unless approved by Tenant.

6.2 Additional Tenant Improvement Allowance. Basic Rent has been agreed upon by Landlord and Tenant with the intention that the costs of the Tenant Improvements ("Tenant Improvement Costs") will not exceed the Tenant Improvement Allowance. Landlord shall be solely responsible for any delay or increased cost in completing the Tenant Improvements except for delays or costs arising from Tenant Delays as defined below. However, in the event that the Final Construction Budget projects that the Tenant Improvement Costs will exceed the Tenant Improvement Allowance, Tenant may authorize Landlord, after obtaining the written approval of the Chief Administrative Officer, to pay the overage in an amount not exceeding the Additional Tenant Improvement Allowance. The Additional Tenant Improvement Allowance shall be paid to Landlord as provided herein.

6.3 Payment of Additional Tenant Improvement Allowance.

(a) Method of Payment. The Additional Tenant Improvement Allowance may, at Tenant's election, (i) be paid in a lump sum payment within thirty (30) days after the Commencement Date; or within thirty (30) days after Landlord provides a finalized accounting of all Tenant Improvements and acceptance by the County, whichever comes first; or (ii) may be amortized over the initial 60 months of the term of the Lease at the Tenant Improvement Amortization Rate. Tenant may after the 36th month of the Term pay Landlord in a lump sum for all of the unamortized Tenant Improvement Cost.

(b) Statement of Adjustments. Within thirty (30) days after the Commencement Date, Landlord shall prepare and submit to Tenant a statement showing in reasonable detail all Tenant Improvement Costs and the total amount payable hereunder by Tenant to Landlord, or by Landlord to Tenant, in order to adjust the amount of any previous payments by either party to the other pursuant to this Landlord's Work Letter to the amount payable by or to such party based on the total actual Tenant Improvement Costs. Within thirty (30) days after submission to Tenant of the foregoing statement, Tenant shall pay Landlord, or Landlord shall pay Tenant (as applicable), the adjustment amount.

7. Construction of Tenant Improvements.

7.1 Tenant Improvements. Tenant Improvements to be constructed by Landlord are described more particularly on Addendum B hereto.

7.2 Bids. Unless waived by Tenant in writing, any major contractors, subcontractors and materials providers providing labor and/or materials for the Tenant Improvements shall be selected only after two bids have been solicited from responsible and qualified persons. Landlord shall submit two sealed fixed price bids for the construction of the Tenant Improvements to Tenant for its review prior to the award of the Construction Contract. The bids shall be jointly opened and reviewed. The bids shall include an itemized list of all materials and labor and shall include all additional costs, including architects and engineering fees, permits, reasonable contractor's profit and overhead, and project management fees. Two bids for the purchase and installation of the office furniture system, prepared by the furniture dealer, shall be included in the construction estimates, if applicable.

(a) Permits. Landlord shall secure the approval of governmental authorities, and all permits required by governmental authorities having jurisdiction over such approvals and permits for the Tenant Improvements, promptly after approval of the Final Plans.

(b) Commencement of Construction. Landlord shall commence construction of the Tenant Improvements within fifteen (15) days after issuance of all such necessary permits. Landlord shall commence and, once commenced, shall thereafter diligently proceed to construct and complete all Tenant Improvements, subject to any cessation that may be caused by Force Majeure Delays

7.3 Construction. Construction of the Tenant Improvements will be subject to the following terms and conditions:

(a) Notice of Nonresponsibility. Landlord and the Contractor shall cooperate with Tenant in posting a notice or notices of nonresponsibility by Tenant.

(b) Decorating Decisions. All design and programming, space planning and interior decorating services, such as selection of wall paint colors and/or wall coverings, furniture, fixtures, carpeting and any or all other decorator selection efforts required by Tenant shall be provided by Landlord and added to the Tenant Improvement budget. Landlord shall consult with Tenant with respect to all such decorating services and decisions.

(c) Clean-Up and Substandard Work. Landlord will be responsible for all clean-up with respect to the Tenant Improvements, whether in the Premises themselves or in other areas utilized by Landlord or its contractors, and agrees to reimburse Tenant for any and all expenses incurred by Tenant by reason of substandard work performed by Landlord's contractor or contractors (as reasonably mutually determined by Landlord and Tenant according to the usual standards of work in the Building) or as a result of inadequate clean-up, as long as Landlord shall be provided a cure period of thirty (30) days to cure such inadequacy.

(d) Compliance with Laws. Construction of the Tenant Improvements shall comply with all applicable laws and regulations and shall be subject to the general inspection of Tenant. The Premises shall comply with all applicable city, county, state and federal building codes, regulations and ordinances required for beneficial occupancy, including, but not limited to, all provisions of the Labor Code of the State of California. Under the provisions of the Labor Code, the State Department of Industrial Relations will ascertain the prevailing hourly rate in dollars and details pertinent thereto for each craft, classification or type of workman or mechanic needed for the construction of the improvements. Particulars of the current Prevailing Wage Scale, as approved by the Board of Supervisors which are applicable to the work, are filed with the Clerk of the Board of Supervisors and must be posted at the site.

7.4 Conformed Plans. Within sixty (60) days after Substantial Completion of the Tenant Improvements and receipt from the Contractor of all field changes, Landlord shall submit to Tenant a set of conformed plans ("as-built") incorporating, in accordance with standard industry custom and practice, field changes made and changes and/or revisions that have been made subsequent to the submission of the Final Plans. Such "as-built" or "record documents" shall be submitted on three and one-half inch (3½") 1.4Mb magnetic media diskettes in AutoCAD R 12.dwg (or later version) format or .DXF format, along with one complete set of mylar transparencies of drawings and one complete set of specifications.

8. Change Orders. Tenant and Landlord may make changes, additions, deletions or alterations in the Final Plans ("Change Order"), provided both Tenant and Landlord approve such changes in writing. The Authorized Change Order Amount set forth in Section 1 has been authorized by the Board of Supervisors of the County to be used to pay the costs of all authorized Change Orders but only the Chief Administrative Officer is authorized to approve Change Orders on behalf of Tenant and then only if the aggregate amount of such approved Change Orders does not exceed the Authorized Change Order Amount. Tenant may elect to pay for Change Orders (a) in a lump sum payment within thirty (30) days after the Commencement Date; or within thirty (30) days after Landlord provides a finalized accounting of all Tenant

Improvements and acceptance by the County, whichever first occurs; or (b) amortize the costs over the initial sixty (60) months of the term of the Lease at the Change Order Amortization Rate per month. Landlord shall submit to the Chief Administrative Officer with each requested Change Order (i) the specific cost of the requested change, (ii) the cumulative net total cost of all Change Orders previously approved, and (iii) an estimate of the construction time which will be increased or shortened if the Change Order is approved. Each Change Order must be signed and dated by the Chief Administrative Officer.

9. **Audit.**

9.1 **Tenant Improvement Allowance.** For purposes of ascertaining the actual cost of the Tenant Improvements, Landlord shall provide to Tenant, upon Substantial Completion of the Tenant Improvements, a detailed breakdown of the total costs of constructing the Tenant Improvements and execute a summarized breakdown of the total costs of the Tenant Improvements in the form of Addendum D attached hereto.

9.2. **Audit.** Tenant may audit the costs of the Tenant Improvements and Change Orders for a period of twenty-four months from the date of Substantial Completion of the Tenant Improvements.

10. **Delay.**

10.1. **Tenant Delays and Force Majeure Delays.** Except as set forth herein, no delay in the completion of construction of the Tenant Improvements shall be considered in the determination of the Commencement Date of the Lease and, except as set forth herein or in the Lease, under no circumstance shall Tenant be charged with any delay whatsoever as a result of delay in the construction of Tenant Improvements. Subject to the provisions of Section 10.2, the Projected Commencement Date set forth in the Lease shall be extended one (1) day for each day that: (i) Tenant fails or refuses to give authorizations or approvals within the time periods required herein but only to the extent such delays delay the commencement or completion of construction of the Tenant Improvements (referred to herein as "Tenant Delay(s)"); or (ii) Substantial Completion of the Tenant Improvements is delayed by lightning, earthquake, fire, storm, tornado, flood, washout, explosion, strike, lockout, labor disturbance, civil disturbance, riot, war, act of a public enemy, sabotage or other similar causes beyond the reasonable control of Landlord (referred to herein as "Force Majeure Delay(s)").

10.2. **Limitations.**

(a) **Notice.** No Tenant Delay or Force Majeure Delay shall be deemed to have occurred unless Landlord has provided written notice, within forty eight (48) hours of the event giving rise to such claim, in compliance with the Lease, to Tenant specifying that a delay is claimed to have occurred because of actions, inaction or circumstances specified in the notice in reasonable detail. If such actions, inaction or circumstances qualify as a Tenant Delay or Force Majeure Delay, then a Tenant Delay or Force Majeure Delay, as applicable, shall be deemed to have occurred only commencing as of the date Tenant received such notice from Landlord.

(b) **Mitigation.** Tenant Delays and Force Majeure Delays shall delay the Projected Commencement Date only in the event that Substantial Completion of the Tenant Improvements is delayed, despite Landlord's reasonable efforts to adapt and compensate for such delays, which efforts Landlord shall be obligated to make (provided such additional cost incurred by Landlord due to such effort does not exceed \$1,000 on a cumulative basis, unless Tenant agrees to pay to such excess).

(c) **Concurrent Delays.** Tenant Delays and Force Majeure Delays shall be recognized hereunder only to the extent the same are not concurrent with any other Tenant Delay

or Force Majeure Delay which is effective hereunder. For example, if there are ten (10) days of Tenant Delays and four (4) days of Force Majeure Delays which occur during the same ten (10) day period of such Tenant Delays, then the Projected Commencement Date would be extended by only ten (10) days; on the other hand, if such Tenant Delays and Force Majeure Delays did not occur during the same period, the Projected Commencement Date would be extended by fourteen (14) days.

(d) Change Orders. Landlord may not claim that a Change Order requested by Tenant was the cause of a delay in the construction of the Tenant Improvements unless the anticipated delay is specified in writing in the Change Order authorization.

11. Default. Any default by Landlord under the terms of this Landlord's Work Letter shall constitute a default under the Lease and shall entitle Tenant to exercise all remedies set forth in the Lease.

12. Representatives.

(a) Tenant Representative. Tenant has designated Tenant's Work Letter Representative as its sole representative with respect to the matters set forth in this Landlord's Work Letter who, until further notice to Landlord, shall have the full authority and responsibility to act on behalf of Tenant as required in this Work Letter and whose address, for purposes of any notices to be given regarding matters pertaining to this Landlord's Work Letter only, is Tenant's Address for Work Letter Notice as set forth in Section 1.

(b) Landlord Representative. Landlord has designated Landlord's Work Letter Representative as its sole representative with respect to the matters set forth in this Work Letter who, until further notice to Tenant, shall have the full authority and responsibility to act on behalf of Landlord as required in this Landlord's Work Letter and whose address, for purposes of any notices to be given regarding matters pertaining to this Landlord's Work Letter only, is Landlord's Address for Work Letter Notice as set forth in Section 1.

13. RESERVED.

14. Construction Meetings. During the course of construction, meetings shall be held between the Contractor, Landlord and Tenant at least once per week, unless Landlord and Tenant mutually agree otherwise, at a time and place which is mutually convenient. An initial construction meeting shall be held within five (5) days of the date the Contractor is selected.

15. **Delivery.** Delivery of all plans and drawings referred to in this Work Letter shall be by commercial messenger service or personal hand delivery, unless otherwise agreed by Landlord and Tenant.

LANDLORD:

SFSHP Investors I, LLC,
a Delaware limited liability company

By: **MS Heritage Manager, LLC,**
a Delaware limited liability company, its Manager

By: _____

Name: _____

Title: _____

Date Signed: _____

TENANT:

COUNTY OF LOS ANGELES,
a body politic and corporate

By: _____

Name: _____

Title: _____

Date Signed: _____

ADDENDUM A To Landlord's Work Letter

BASE BUILDING IMPROVEMENTS

Landlord has constructed (or will construct) the Building to include the following:

- (a) the Building shell and exterior, including perimeter window frames, mullions and glazing in good condition;
- (b) the core area, including mechanical, electrical, sprinkler, plumbing, life safety, heating, air conditioning, ventilation and structural systems within the Building core, stubbed out to the face of the core wall at locations determined by Landlord;
- (c) men's and women's toilet rooms, including necessary plumbing fixtures, ceramic tile floors, accessories, ceilings and lighting, with running hot and cold water;
- (d) unpainted exterior dry wall or lath and plaster covering the exposed side of all exposed core walls, core and perimeter columns and the interior exposed side of all exterior building wall areas except at and under windows;
- (e) parking facilities;
- (f) ground floor lobby;
- (g) exterior plazas and landscaping;
- (h) loading dock;
- (i) electrical/telephone closet (which is expected to be replaced with a new electrical/telephone closet incorporated into Tenant Improvements);
- (j) conduit access sufficient for Tenant's electrical wiring (no additional improvement to increase conduit access will be furnished by Landlord unless there is not sufficient riser space as required for a 1.5" diameter signal cable from the Building main telecommunication vault to the telephone closets, in which case Landlord, at no cost to Tenant and without deduction from the Tenant Improvement Allowance, shall cause such riser space to be made available to Tenant, and provided further that Tenant shall be responsible for the cost for removing the riser floor seal at each floor and the patching of each seal after installation of Tenant's cable);
- (k) two (2) 208/120 and one (1) 480/277 volt panels connected to the Building power system;
- (l) concrete floors with trowel finish, level to specified tolerances and designed to support a minimum live load of fifty (50) pounds per square foot and a partition load of twenty (20) pounds per square foot;
- (m) standard window coverings;
- (n) primary HVAC duct for cooling and primary HVAC duct for heating (heating is for perimeter zone only) to loop from the mechanical equipment room around the building core;
- (o) hot and cold air loops located within the Premises;
- (p) primary fire sprinkler distribution, including secondary piping and sprinkler heads as required for the unoccupied Premises;

(q) primary fire-life safety enunciation system "backbone" and panels suitable for Tenant's secondary distribution;

(r) access at panels in the service core for distribution of Building requirements electrical power (initially 120/208 V for power and 277V for fluorescent lighting) up to the limits permitted under applicable law at the time the Building receives the initial temporary certificate of occupancy for the Building; and

(s) gypsum board on the service core walls, columns and sills in the Premises' office areas.

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ADDENDUM B To Landlord's Work Letter

TENANT IMPROVEMENTS

• Tenant improvements shall include:

- (a) Tenant ceilings and lighting;
- (b) Floor finish in the Premises;
- (c) Interior finishes of any kind within the Premises;
- (d) Interior partitions, doors and hardware within the Premises;
- (e) Terminal boxes and reheat coils or other HVAC or air distribution devices to or within the Premises;
- (f) Tenant's furniture, fixtures and equipment, including telephones, computers and cabling therefor;
- (g) Distribution of electrical services, plumbing services and sprinklers from the core to the Premises, and domestic hot water heater and associated hot water piping;
- (h) Any and all signs for Tenant and the power therefor;
- (i) Security, fire and life-safety systems throughout the Premises, including exit signs, intercoms and extinguishers;
- (j) Additional and/or above standard electrical capacity;
- (k) Fiber optic access;
- (l) Back-up generator;
- (m) Additional 5-ton HVAC unit;
- (n) Shower rooms; and
- (o) Any additional items shown in the DHS Space Plan (dated 9/20/03) and the Structural Engineer's drawings (dated 11/5/03) which are not part of Base Building Improvements.

ADDENDUM D To Landlord's Work Letter

COSTS OF TENANT IMPROVEMENTS (These numbers are being finalized)

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